



Fiscal Overview Professional Development Institute (PDI) Seattle, WA.

Mr. Davis S. Welch
Deputy Director, Army Budget
28-30 May 2014



Agenda



- **Drivers - Law and Strategy**
- **Fiscal Environment (External Pressures)**
- **Priorities (Internal Pressures)**
- **Process - Thinking in Time**
- **Momentum Toward Financial Goals**

"Today's Financial Climate and Budget Realities: Managing Change in Uncertain Times"

The Constitution and Title 10 USC



US political traditions dictate the verb “raise” to avoid standing Armies. Protection of the commons mandates the verb “maintain” for Services protecting the air and sea.

Maintain:

Navy of 11 operational carriers

Marines of 3 Divisions/Air Wings

Air Force of 24K serviceable aircraft or 225K A/C Tons

*Raise and support Armies, but no Appropriation of Money to that Use shall be for a longer Term than two Years;**

**Article. I, Section. 8.*

Primary Missions - What Do We Do?

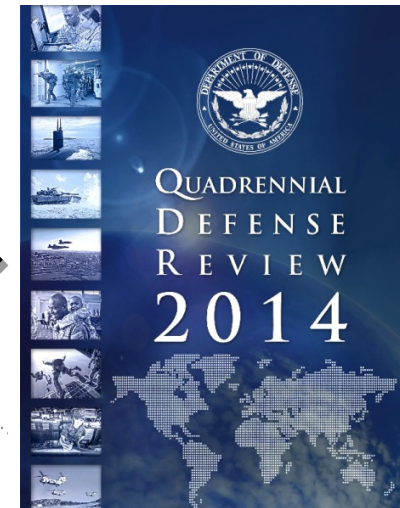


Defense Strategy



Sequestration

*Strategy as a
Resource Driver*



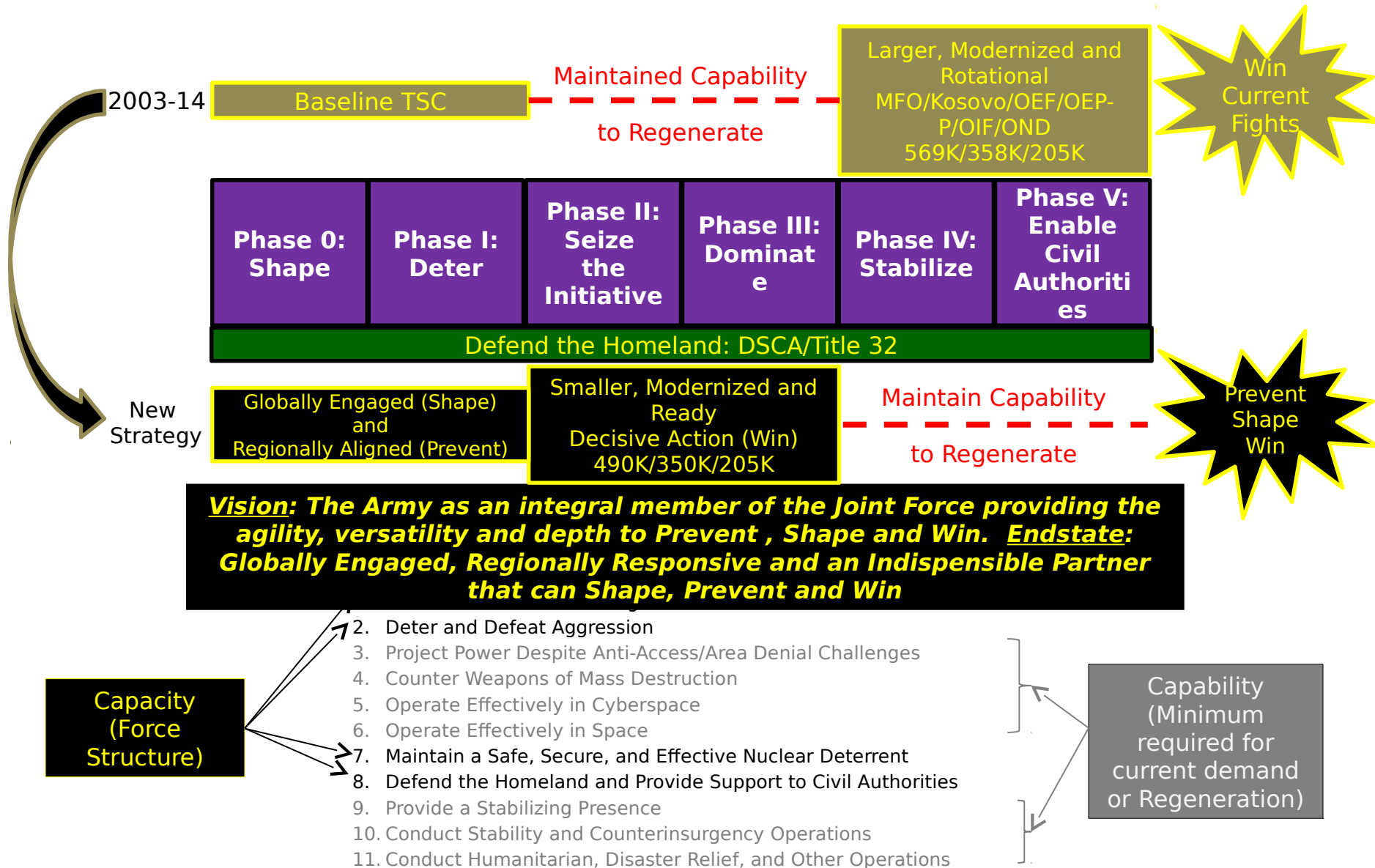
Primary Missions of the U.S. Armed Forces...

- Counter Terrorism and Irregular Warfare
- Deter and Defeat Aggression
- Project Power Despite Anti-Access/Area Denial Challenges
- Counter Weapons of Mass Destruction
- Operate Effectively in Cyberspace and Space
- Maintain a Safe, Secure, and Effective Nuclear Deterrent
- Defend the Homeland and Provide Support to Civil Authorities
- Provide a Stabilizing Presence
- Conduct Stability and Counterinsurgency Operations
- Conduct Humanitarian Disaster Relief and Other

Three Pillars

- **Protect the homeland**, to deter and defeat attacks on the United States and to support civil authorities in mitigating the effects of potential attacks and natural disasters.
- **Build security globally**, in order to preserve regional stability, deter adversaries, support allies and partners, and cooperate with others to address common security challenges.
- **Project power and win decisively**, to defeat aggression, disrupt and destroy terrorist networks, and provide humanitarian assistance and disaster relief.

Understanding the Army's Transition from Current Operations to Army 2020 ISO the New Defense Strategy



America's Army: ***Globally Responsive, Regionally Engaged***



All Volunteer Army

Expeditionary, decisive landpower

Broad range of military operations

**Defense of the Nation and Its
Interests - at home and abroad**

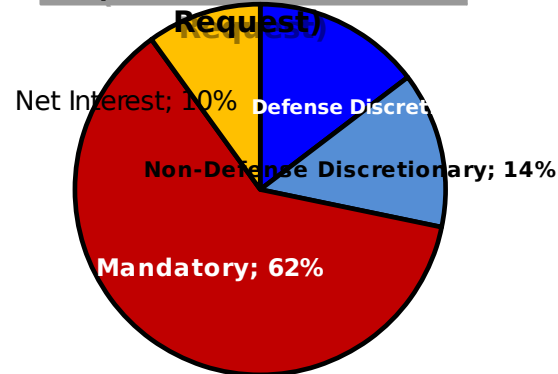
**The Army consists of the Regular Army, the Army National Guard
and the Army Reserve**

Federal Spending Trends

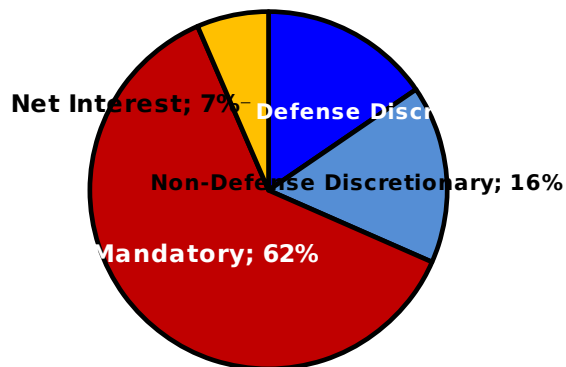


FY 19: National

Defense ~13% of Federal Budget
(estimate in PB 14 Request)

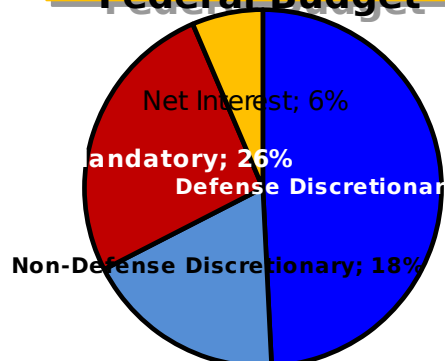


FY 19 est



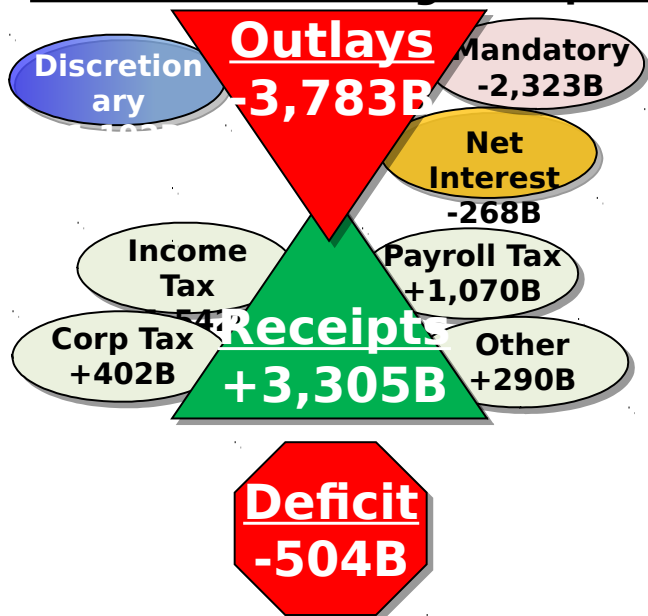
FY 15 Request

FY 62: National Defense ~49% of Federal Budget



FY 62

FY 15 Federal Budget Request



Options to Reduce Federal Deficit

- Decrease spending
 - Sequestration
 - Balanced Budget approach
- Increase revenues



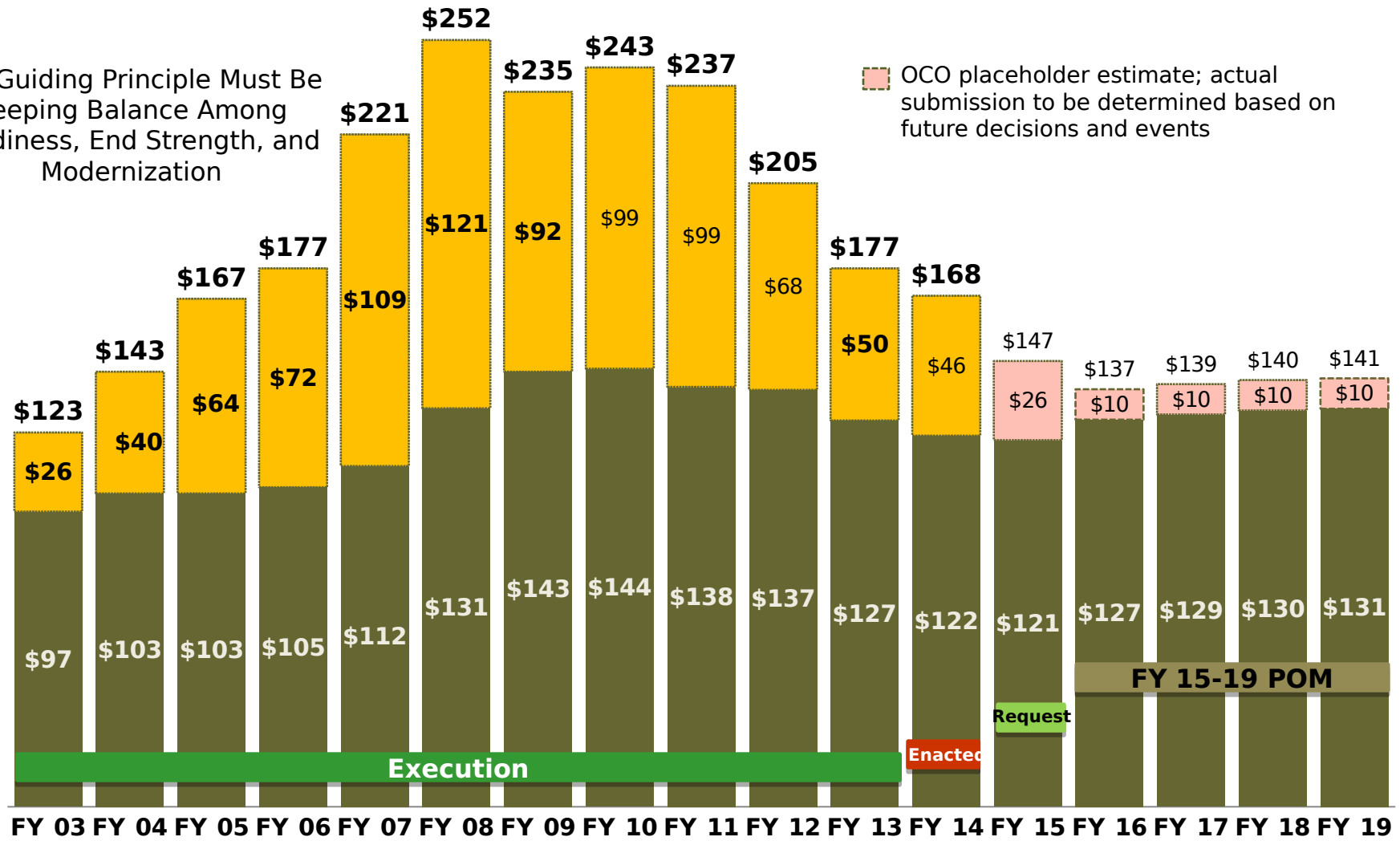
- Historically, funding levels have decreased as military demand**

Army Budget Trends

FY 2003 - FY 2019 (\$B)

Our Guiding Principle Must Be
Keeping Balance Among
Readiness, End Strength, and
Modernization

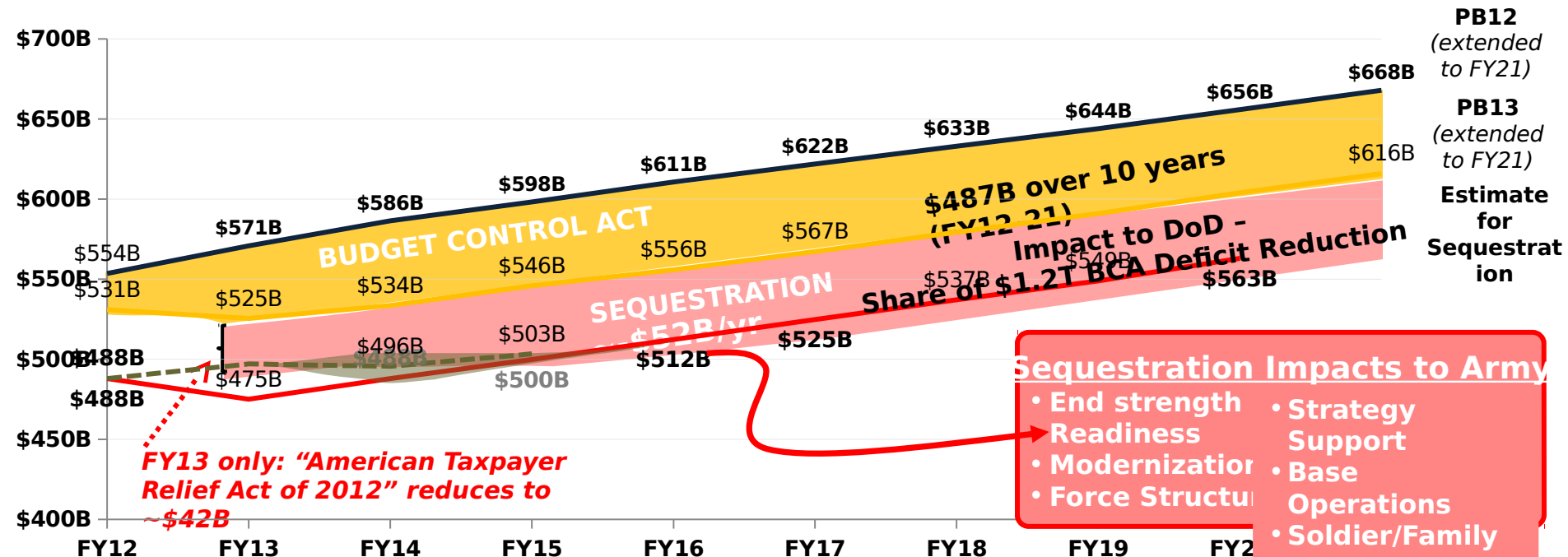
OCO placeholder estimate; actual
submission to be determined based on
future decisions and events



Numbers may not add due to rounding

Given realities of constrained budgets, the Army must adapt, innovate, and make difficult decisions impacting the Total Force

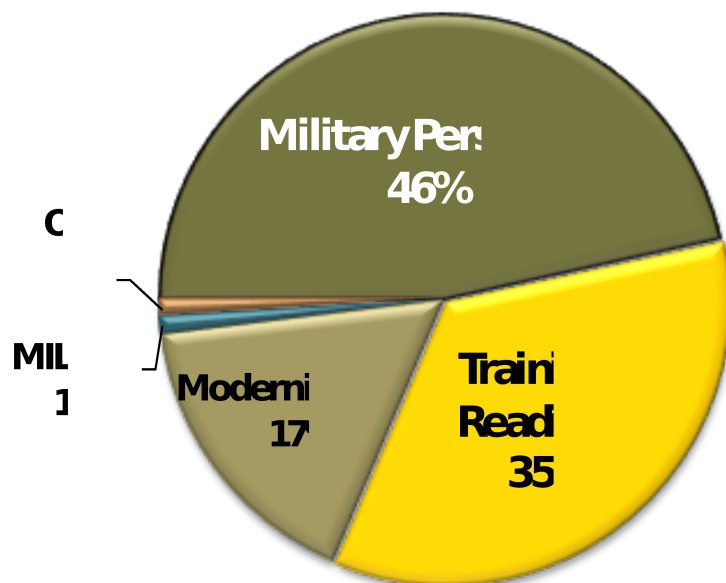
Budget Control Act Impact on DoD Budget



- Black Line = Original Programmed Budget; FY 12-16
- Yellow Line = Programmed Budget after Budget Control Act Reduction (-\$487B); FY 13-17
- Red Line = Sequestration - the reduction from Yellow line required to comply with deficit reduction requirement... another \$1.2T, or \$52B /year for DoD

In FY14 the BBA adds back ~\$22B (Army ~\$5.4B) and in FY15 add backs ~\$8B (Army ~\$2.3B) to DoD's topline.

Internal Pressures: Army Priorities & Cost Drivers



**FY 2015 Request
\$120.5 B**

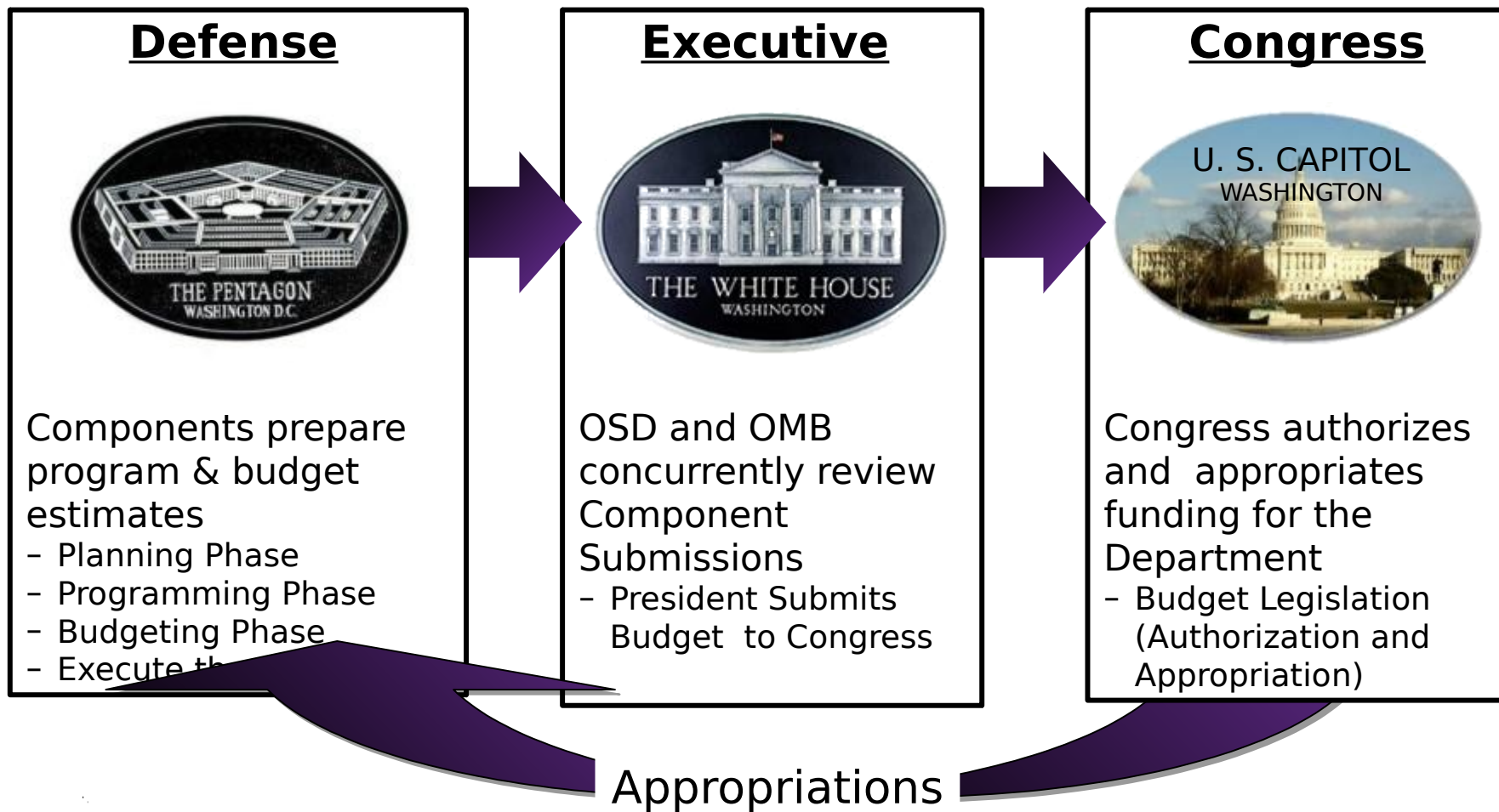
- Pay for our people
- Readiness in our units & our Leaders
 - Training
 - Equipment sustainment
 - Installation Infrastructure
- Modernization for future readiness
 - Ground Combat Vehicle
 - Science & Technology

“The Army's largest asset and greatest expense is, and has always been, its people.”

-HON John M McHugh, Secretary of the Army, 13 February 2014

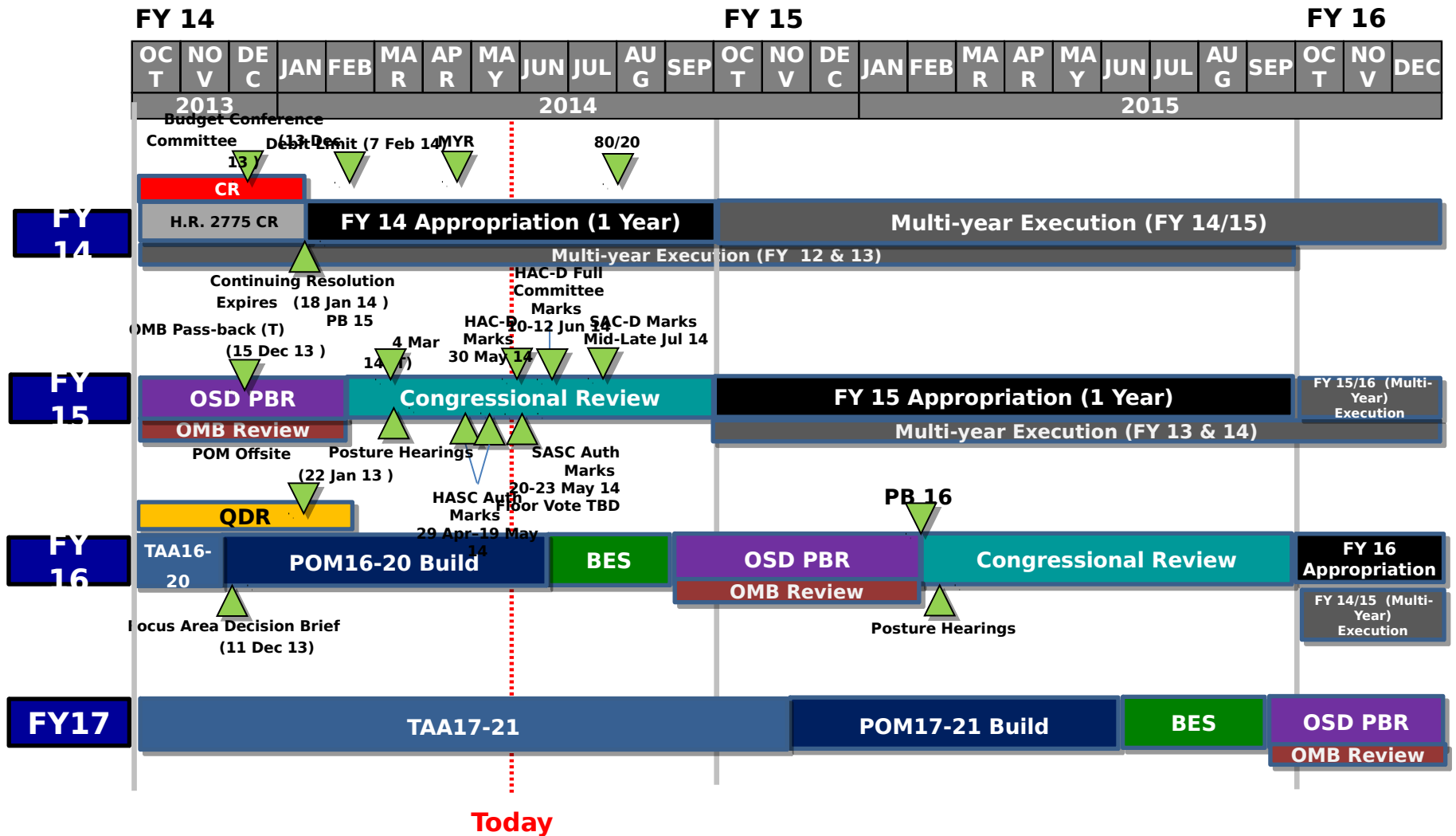
The Budget Process

"Planning, Programming, Budgeting and Execution (PPBE)"

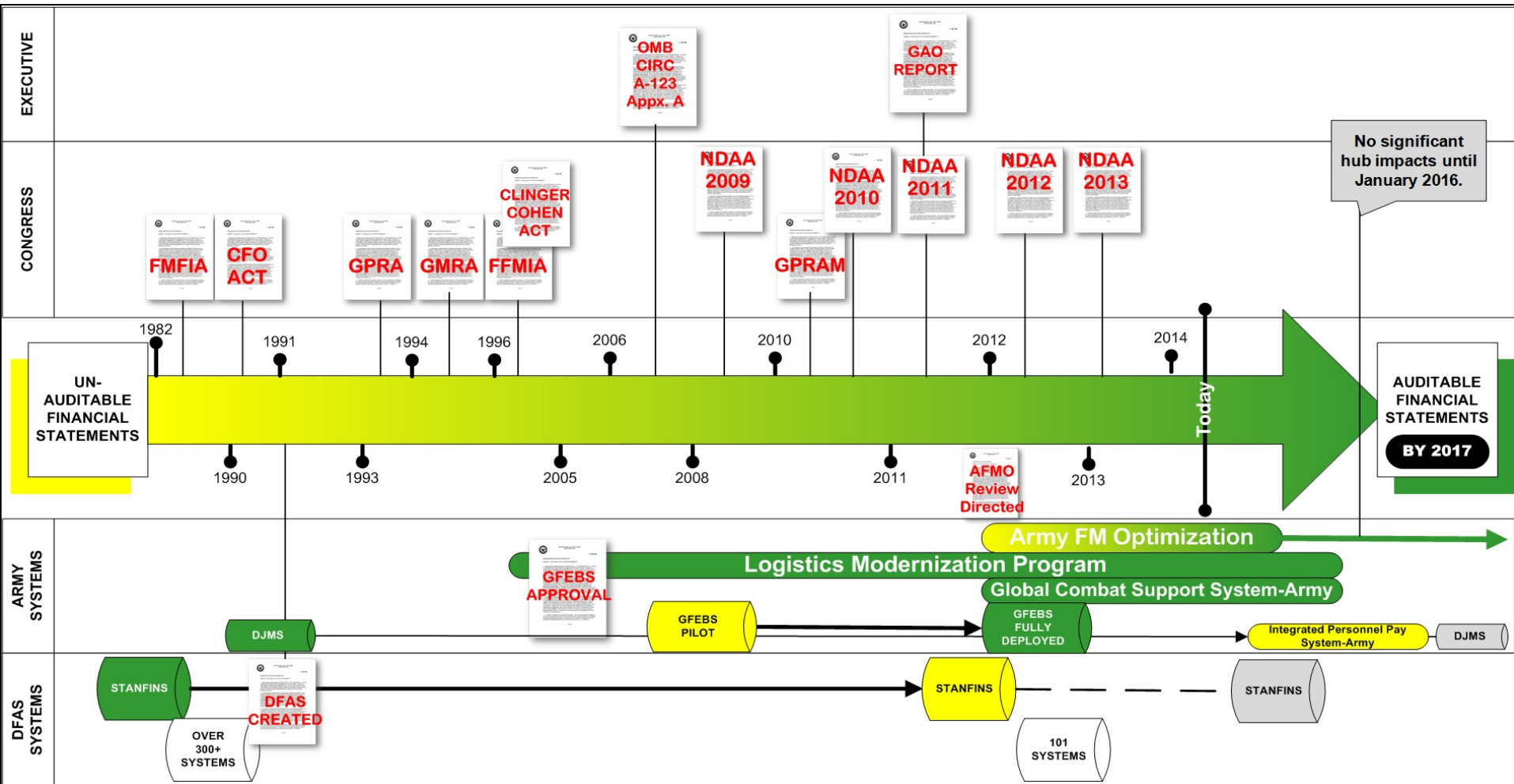


PPBE Process Links Defense Policy & Strategy to Resources

Budget Timeline Cycles



Moving Towards Auditability: Managing Change



6 GAO Auditability Recommendations:

- ☐ Committed & sustained leadership
- ☐ Accountability & effective oversight
- ☐ Effective plan to correct internal control weaknesses
- ☐ Well-defined enterprise architecture
- ☐ Competent FM workforce
- ☐ Successful implementation of the

Financial Climate and Budget Priorities

Managing Change in Uncertain Times



Any business today that embraces the status quo as an operating principle is going to be on a death march

Howard Schultz, CEO, Starbucks

Way Ahead



- **Continue to plan**

- Synchronize actions to curb spending and to mitigate of budgetary uncertainty
- Identify and prioritize funding shortfalls
- Plan to execute anticipated funding

- **Continue to communicate** combined effects of Budgetary uncertainty

- **Continue to monitor and assess** impacts of Administration and Congress decisions on FY 14 / FY 15 budget

- **Continue to coordinate** ongoing budget and programming efforts for PB 15 and POM 16-20

- **Achieve Audit Readiness** by the end of FY 2017



Auditability

**Office of the Deputy Assistant
Secretary of the Army
(Financial Operations) (DASA-
FO)**

Change Management

USG
Budget Turmoil
Sequestration
BCA
Audit Readiness



Treasury
GWA
TAS/BETC

Enemies of the
United States

Army
HR Issues:
Furloughs.
Pay Freeze, staff
cuts
Limited Travel
ERP
Implementations
FM Optimization
Rebalancing

DOD
FM Certification
FIAR
SFIS

A Priority at All Levels

Congress, DoD, and Army leadership are focused on improving business processes and

A Major Department of Defense Initiative

Affirms commitment to achieving audit readiness during his confirmation hearing in January 2013. He will continue “to ensure we make that deadline of 2017 on the audits.”

— Defense Secretary Chuck Hagel



Link to the SECDEF DoD Financial Accountability Message:

<http://comptroller.defense.gov/FIAP/>

Implemented within the Army

“Leaders at all levels are responsible for instilling proper levels of discipline and oversight into all business processes within

— Chief of Staff General Raymond Odierno

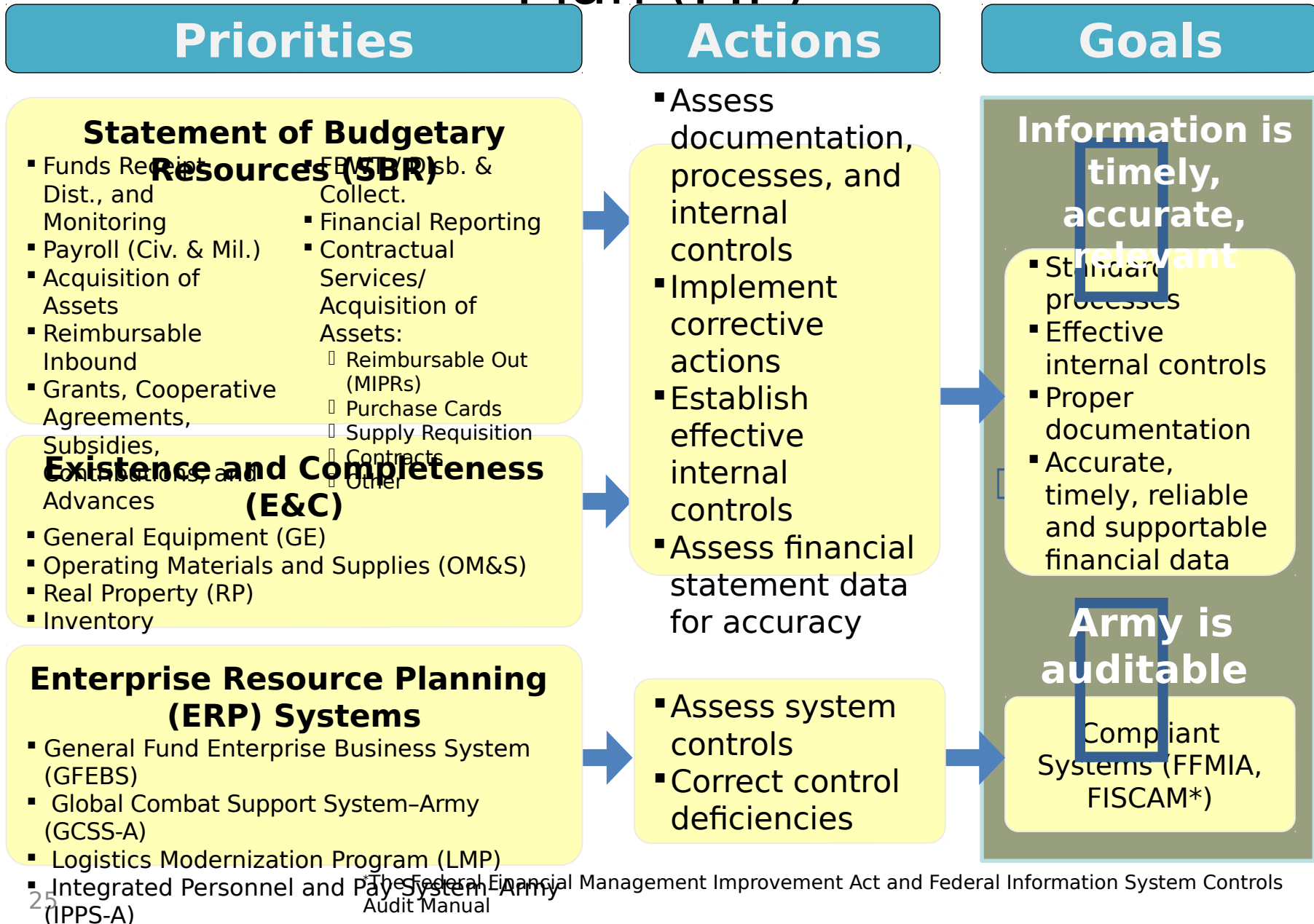


“We will continue to review monthly testing results as we prepare for audit next year... Your leadership and attention to this work is required to ensure we are

— Vice Chief of Staff General John Campbell



Executing the Financial Improvement Plan (FIP)



Army Progress, Challenges, and Way Ahead

Progress by Assessable Unit

Statement of Budgetary Resources (SBR)

- **Appropriations Received:** Received an unqualified opinion on \$232B Appropriations Received.
- **SBR Processes Exams 1 & 2:** Received a qualified opinion in late 2011 on the first audit exam ("mock audit" of financial activity conducted in GFEBS at select installations).
- **SBR Process Exam 3:** covering all current year activity and appropriations, non-legacy GF activity in GFEBS, CEFMS, GCSS-Army, LMP and feeder systems. Results validated by audit report in April 2014.

Existence and Completeness (E&C)

- **OM&S E&C Quick Wins:** Achieved positive audit opinion from DoD IG in 2012 on 17% of Army's missile assets, including the Javelin, Hellfire, and TOW assets.
- **Real Property E&C Quick Wins:** Received clean audit opinion from IPA on first external Real Property audit at 23 installations. The exams covers approximately 50% of the value of Army's RP assets

Enterprise Resource Planning (ERP) Systems

- Developing reconciliation solutions to ensure feeder system data reconciles to the general ledger

Challenges

FY 2015 SBA Audit

- Service support and involvement
- Detailed reconciliations to general ledger
- Universe of transactions and completeness of populations

Audit Etiquette (SBR and E&C)

- Responsiveness and flexibility to audit requests
- Knowledge sharing with Audit Readiness Directorate
- Review of testing results and development of corrective actions

ERP Systems

- **Change management:** Ability to follow audit-compliant processes and standards
- **Improved training**

Way Ahead

SBR

- SBA assertion, June 2014
- Monthly manual internal control and substantive testing
- Review of SSAE 16 systems end user controls with DFAS
- Control implementation and sustainment

E&C

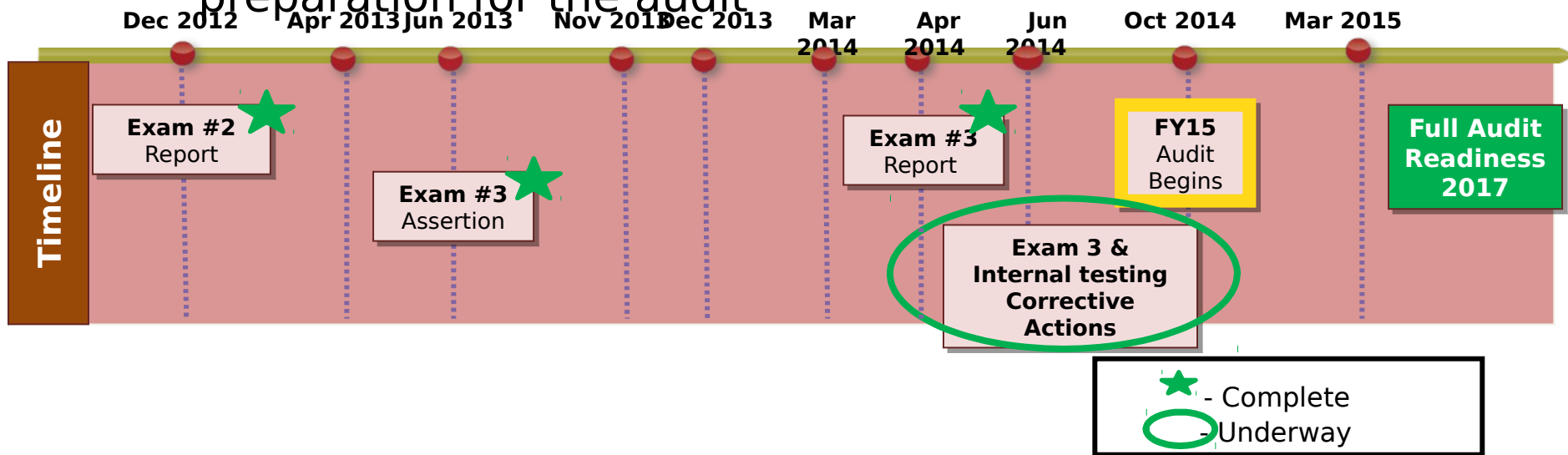
- GE E&C Audit Report, October 2014
- Full assertion of Real Property and OM&S in September 2014
- Regular tracking of RP metrics with ACSIM detailing command execution of corrective actions

ERP

- Implementing corrective actions related to Exam II and Exam III findings

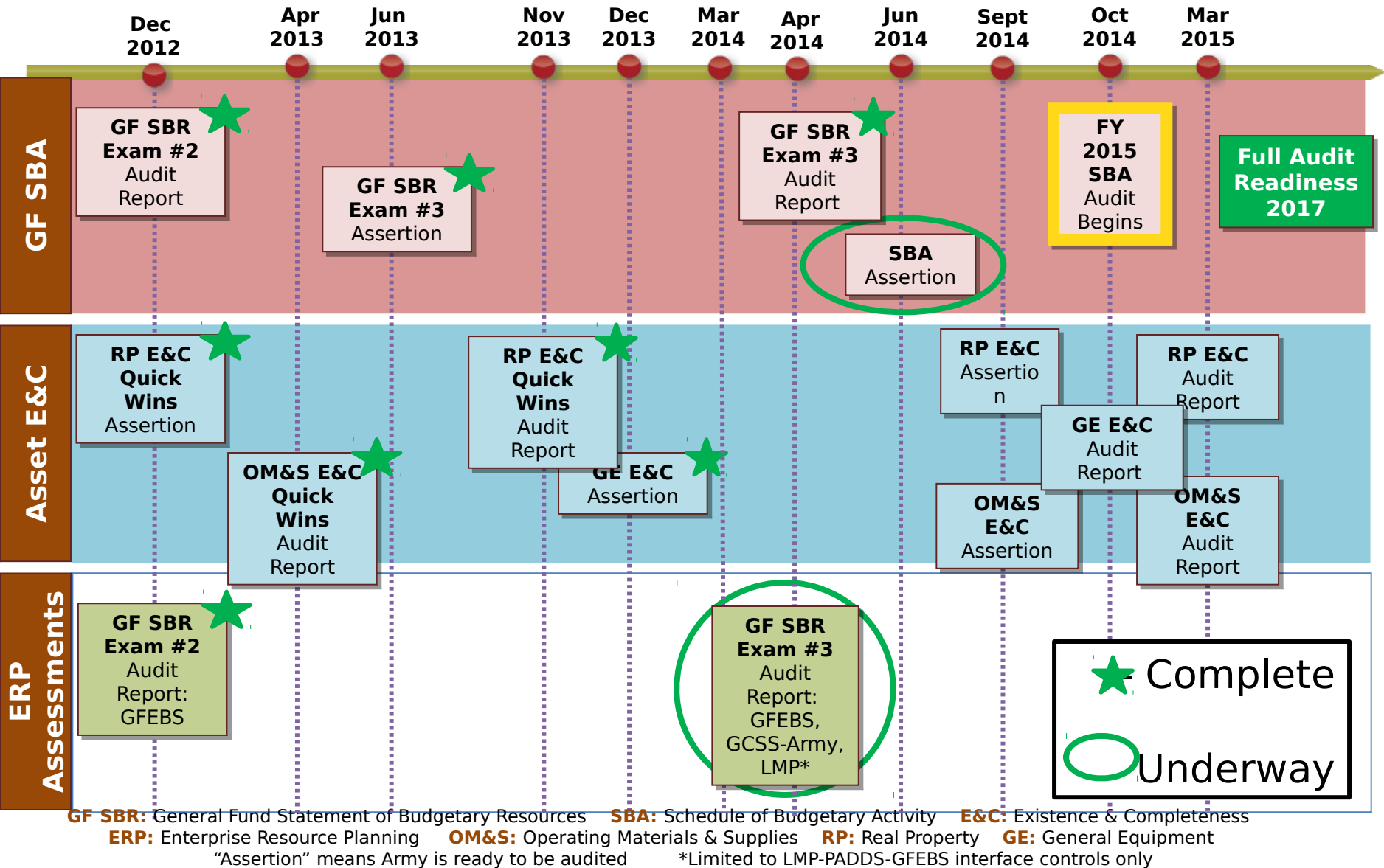
Army Audit Readiness Timeline

- **Now:** Corrective Actions identified in Exam 3 and Internal Testing
 - Implementing corrective actions to address audit findings in preparation for the audit



- **Preparing For:** 1 October 2014 audit
 - Scope includes all Fiscal Year 2015 Army business processes
 - Auditors will test balances quarterly throughout the Fiscal Year

Army Audit Readiness Timeline



Testing: The Basics

- Internal controls are designed to provide reasonable assurance that Army objectives will be achieved; substantive procedures validate amounts
- Testing is performed for Audit Readiness, Audits and Annual Statement of Assurance



**Internal
Controls
Testing**



**Substantiv
e Testing**

Supporting documentation is required for both internal controls and substantive testing.

Common Command Challenges

Description

Internal controls not implemented

- Existing standard operating procedures (SOP) do not contain adequate internal controls.
- Controls, as stated in the SOP, are not being followed
- Authorizing documentation is not maintained per authoritative guidance.

Incorrect or incomplete supporting documentation

- The delegation of authority document provided was for the wrong individual or signed after the transaction posted in the accounting system.
- Accounting system error report did not cover the entire sample period (e.g., the error report provided was only half of the month).
- Transactions not recorded in the same period business event occurred.

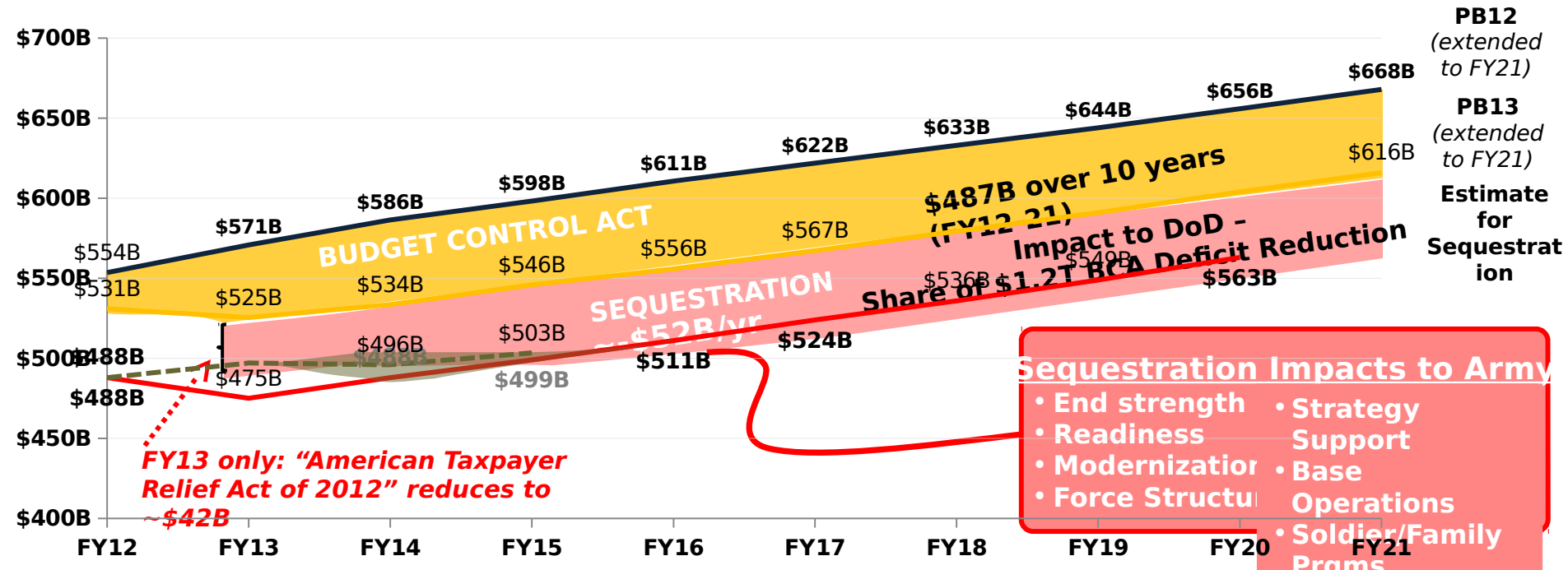
Unable to confirm supporting documentation to the accounting system data

- The amount on the documentation provided does not agree to the sample transaction amount or the information on the documentation was illegible.
- Accounting system reports provided for evidential matter do not pertain to the sample period the fund center tested.

Army Challenges and Corrective Actions

Challenge	Corrective Action
Internal controls not implemented	Ensure standard operating procedures are current, including internal controls and ensure controls are followed and documented.
Documentation not available during examination	Ensure business process/control owners retain supporting documentation and provide to auditors timely.
Incorrect or incomplete supporting documentation	Ensure proper documentation for the sample transactions. For example, documentation includes: signature, amount, date, line of accounting, and/or other important elements supporting the transaction or control.

BCA Impact on DoD Budget



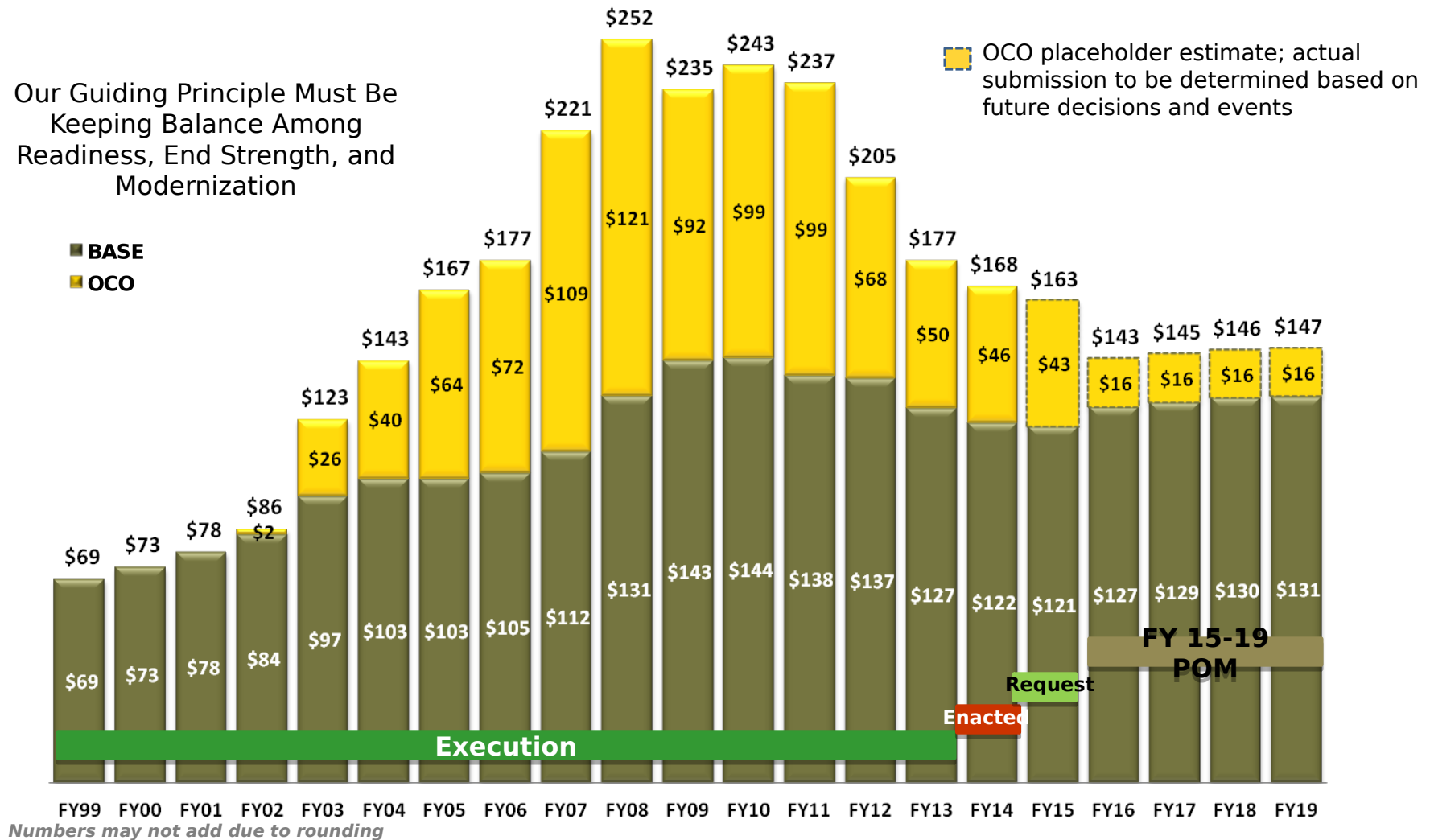
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Army Budget Trends

FY 1999 - FY 2019 (\$B)

Our Guiding Principle Must Be Keeping Balance Among Readiness, End Strength, and Modernization



Given realities of constrained budgets, the Army must adapt, innovate, and make difficult decisions impacting the Total Force

Army Budget Trends

The Army's base budget trend has declined since 2010, both driving, and deriving from, a reduction in end strength and force structure, while prioritizing near term training over long term investment. The overall total budget reduction -- base and OCO -- from a peak in 2008 reflects declines in OCO commensurate to reduced war operations. The bars through 2013 reflect actual execution; the FY 14 bar reflects the base budget enacted at \$122B, with \$3.1B shifted from base to OCO. The FY2015 Budget Request is \$120.5B. The FY15 OCO budget is not submitted at this time but is clearly needed to support operations in Afghanistan and Reset of equipment returning from the Theater.

Fiscal Year 2014 DASA-FO Goals

- **Assert General Fund SBA audit ready in September 2014**
 - Partner with DFAS to ensure all end-to-end processes have adequate controls and supporting documentation
 - Implement fund balance with treasury reconciliation tool
 - Correct Exam 3 Notice of Findings and Recommendations
- **Continue implementation of GFEBS**
 - Harvest the power and capabilities of the Enterprise Resource Planning system, GFEBS
 - Expand the current use of GFEBS (Treasury disbursing, contract entitlement, reporting)
 - Complete the migration of military pay to GFEBS
 - Facilitate the deployment of other ERPs
- **Prepare AWCF for audit assertion** (all four financial statements)
 - Continue work to ensure Logistics Modernization Program is a compliant financial system
 - Continue to implement corrective actions to ensure auditable processes
- **Close legacy systems**
 - Continue the closure of STANFINS instances using the existing plan
 - Develop and implement a plan to close out SOMARDS
- **Update Policies and Procedures to support ERPs**
- **Implement Financial Management Optimization Pilot study**
- **Develop a professional, credentialed staff**
- **Effectively and efficiently respond to requirements**



Army Financial Management Optimization (AFMO)

Ms. Kristyn E. Jones
Deputy Assistant Secretary of the Army
(Financial Information Management)
28 May 2014



Sec Army Directive: Optimization of Army Financial Management

On 11 Sep 12, Sec Army directed ASA(FM&C) to:

- Develop & submit a fully staffed & coordinated implementation plan – Auditable by 2017
- **Conduct a review of Army Financial Management:** Processes, Policies, Organization, Workforce, Training
- **Recommend:** Best Practices, Improved Operations, Greater Efficiencies
- **Develop an implementation plan,** under the direction of the Chief Management Officer (CMO)

Goals and Objectives

1. Organize for auditability and accountability
2. Leverage the Army's new ERP material solution
3. Optimize workforce - Military and Civilian
4. Sustain readiness in Army Financial Management units
5. Minimize redundant capabilities – achieve efficiencies
6. Right-size the workforce (include grade plating & job series)
7. Develop training and certification strategy based on Optimal Solution
8. Reduce cost of FM operations



SECRETARY OF THE ARMY
WASHINGTON

11 SEP 2012

MEMORANDUM FOR THE SECRETARY OF THE ARMY

SUBJECT: Optimization of Army Financial Management

1. Reforming and restructuring the Institutional Army – the Generating Force – is critical to building the Army of the future and supporting the force of today. It must be agile, nimble, and adaptive as our Operating Force – driven by ideas, innovation and a determination to bring the best services and equipment, training and leaders, medical care and support to our Soldiers, Civilians, and their Family members. My belief is, and reason for, transforming the Institutional Army is a major focus of my tenure as Secretary of the Army.

2. Consolidating the disparate financial management methods and software into an integrated architecture with a smaller number of Enterprise Resource Planning (ERP) systems has been a major Army objective over the last decade. Inherent in this consolidation is the seamless availability of information to Soldiers, Civilians, and mission partners from garrison to the tactical edge supporting accountability and auditability requirements. Today, as the foundational elements – General Funds, Enterprise Business System, Logistics Modernization Program, Global Combat Service Support – Army and the Integrated Personnel Pay System – Army are being developed, deployed and matured, it is time to optimize our processes, organizations and systems to ensure we achieve this outcome and capture the significant saving opportunities inherent in these systems.

3. Accordingly, I direct the Assistant Secretary of the Army (Financial Management and Comptroller) (ASA (FM&C)) to conduct a review of Army Financial Management processes, procedures, policies, organization constructs and workforce composition and recommend best practices, improved operations and greater efficiencies. The ASA (FM&C) will develop the plan under the direction of the Chief Management Officer (CMO) and in coordination with and supported by the Assistant Secretary of the Army (Acquisition, Logistics and Technology) with other appropriate Principal Officers of Headquarters, Department of the Army (HQDA), and with the Commanders of Army Commands (ACOMs), Army Service Component Commands (ASCCs) and Direct Reporting Units (DRUs). At a minimum, your proposal for recommended actions will include, but not be limited to:

a. Effective, Efficient and Auditable Processes: Provide recommended changes to the current operating procedures, processes and policies that will enable more efficient and effective financial operations. Also identify other potential integrating functional process changes that offer enhanced effectiveness, efficiency or auditability.

FOUO

Army Financial Management Optimization Analysis

Analytical Rigor:

1. Mapped and Refined Key Business Processes
2. Focused both Horizontally and Vertically
 - Processes
 - People
 - External Support
3. Documented 490 Key FM Tasks; identified transactional tasks
4. Redistributed Roles and Functions to align responsibility/accountability
5. Developed COAs; c
partn

Key Study Recommendations:

1. Realign activities into existing U.S. Army Financial Management Command (USAFMCOM)
2. Conduct a Hub/OA Pilot Test
3. Standardize business processes/systems architecture
4. Align workforce and training
5. Improve analytical capabilities/skills

***Key Partners:
DFAS, PEO, PMs, ASA (FM&C),
and
Installation Commands***

COA Analysis Criteria

1. Auditability
2. Responsiveness to commanders
3. Flexibility
4. Feasible, acceptable, suitable
5. Cost savings
6. FM military readiness
7. Ease of implementation

Realign Activities to USAFMCOM



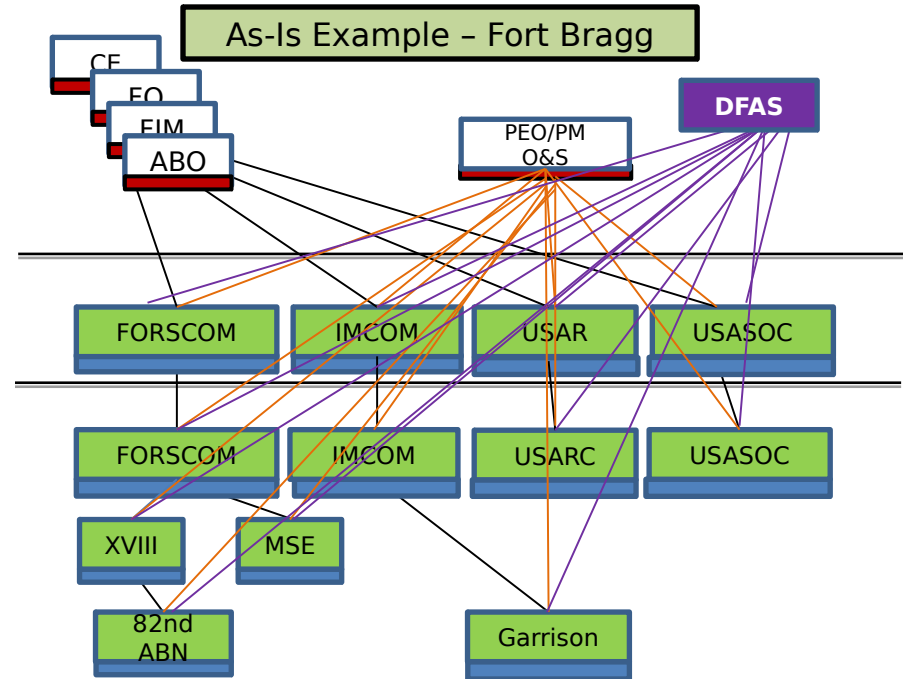
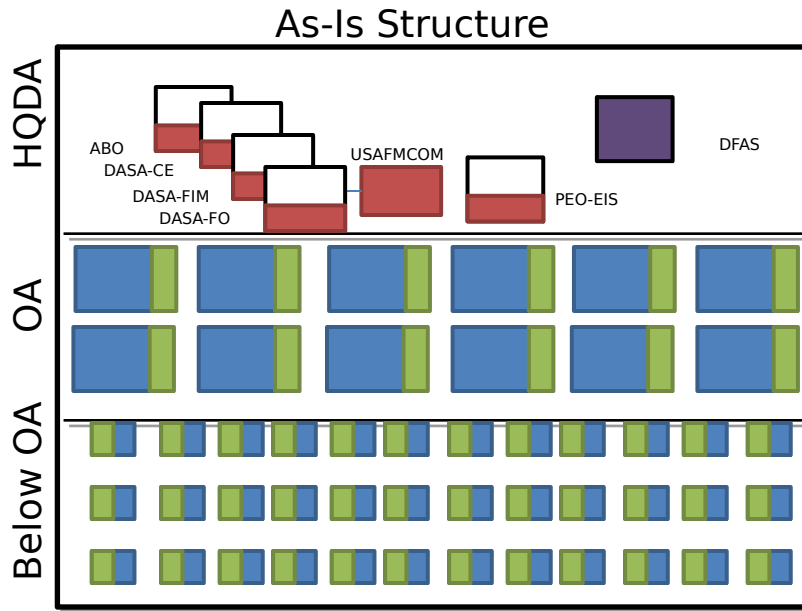
New capabilities include:

- ❖ Systems oversight/management
- ❖ Functional financial analysis support
- ❖ Cost Management support

- ❖ Standardize processes
- ❖ Improve performance
- ❖ Reduce errors/reduce re-work

- ❖ Audit compliance
- ❖ Training
- ❖ Monitoring

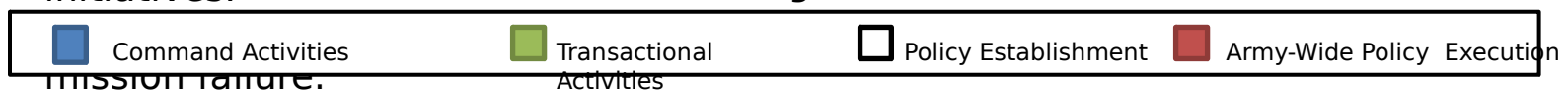
As-Is FM Structure



Current Challenges

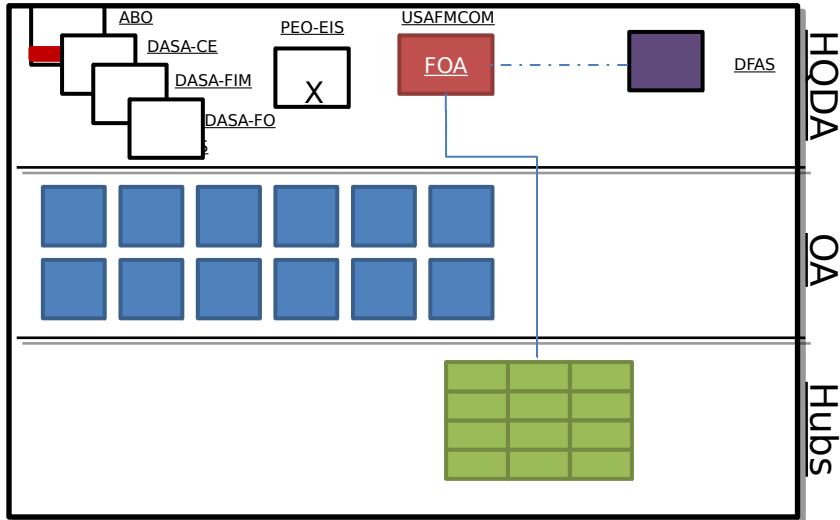
- HQDA organizations responsible for both the development and execution of policy.
- PEO-EIS performing some operational FM tasks.
- Decentralized, non-standardized accounting activities performed within the commands and below the Operating Agency (OA) level.
- Limited ability to focus on analytical tasks at OA level.
- Limited operational control to impact Army-wide audit readiness initiatives.

Legend

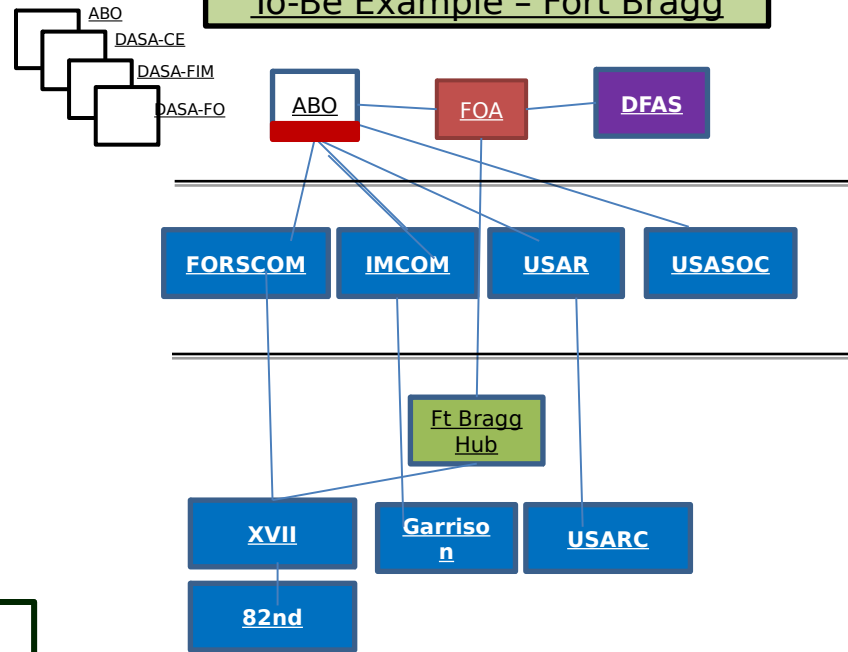


Hub/OA Pilot Test

To-Be Structure



To-Be Example - Fort Bragg



Why?

- Enhance and reinforce auditable business practices
- Consolidate Army command transactional activities
- Redistribute roles and functions to a responsibility/accountability
- Improve decision support

What are we testing?

- Improvement in operational processes
- Virtual vs. Physical locations
- Enhancement of auditability, standardization
- Effectiveness/efficiency of hub processes in supporting client-commands
- Improvement in analytical capabilities/decision support



Command Activities



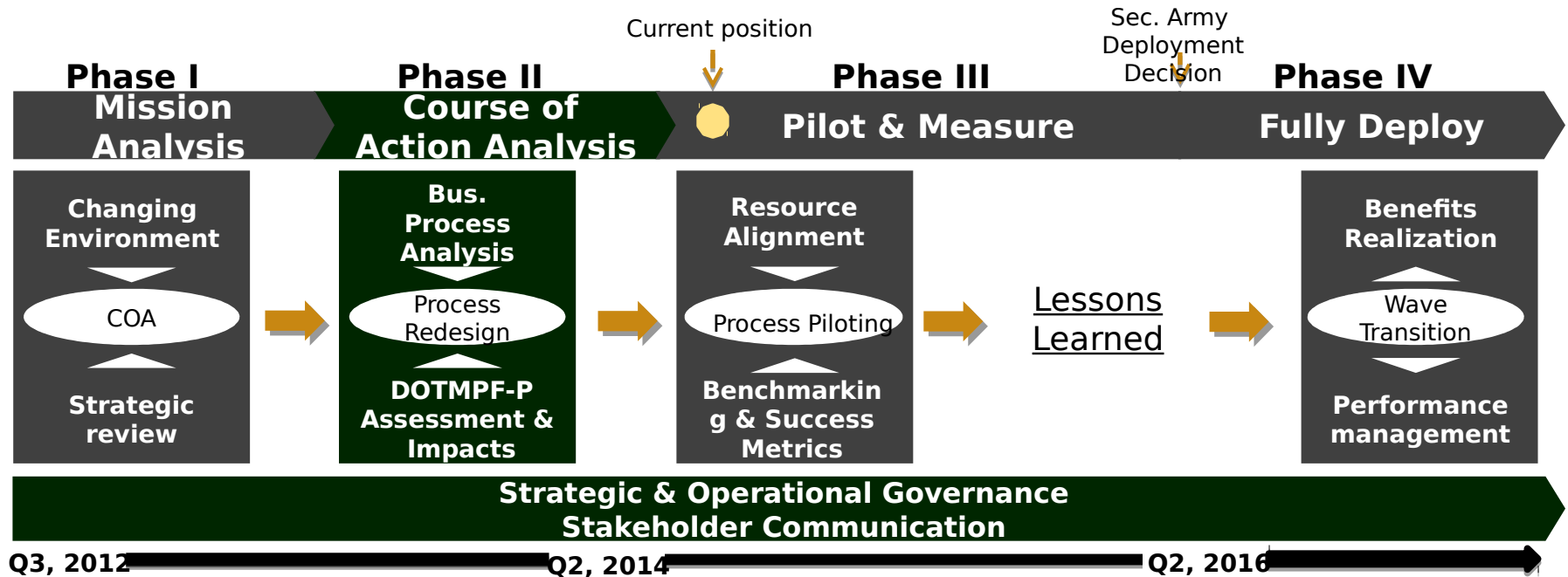
Transactional Activities



Policy Establishment

Army-Wide Policy
Execution

FM Optimization Approach



Position work for optimal outcomes!

Purpose of Pilot Test:

To baseline and measure the most effective way to operate using the Army's new financial management practices and organizational structure.

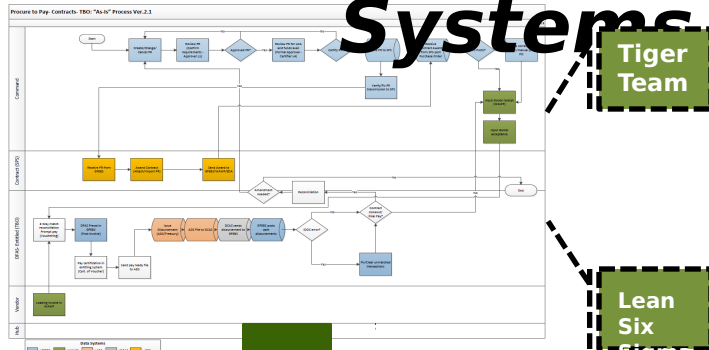
Measures of Success:

'Balanced Scorecard' approach to provide overall view of pilot performance.

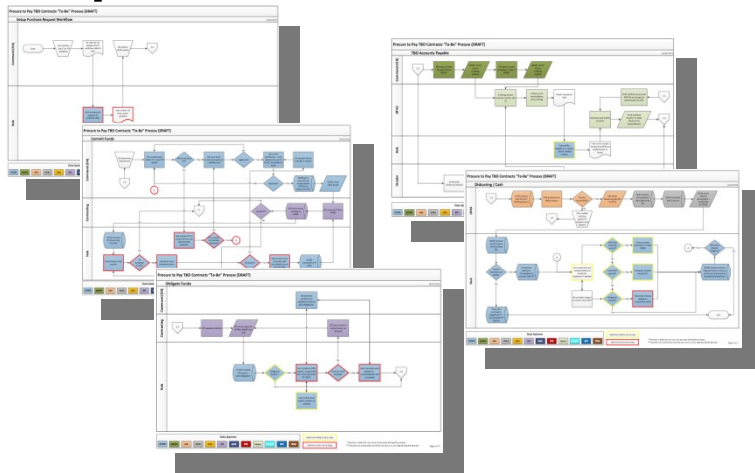


Standardize Business Processes and Systems Architecture

As-Is Process



Decomposed To-Be Process



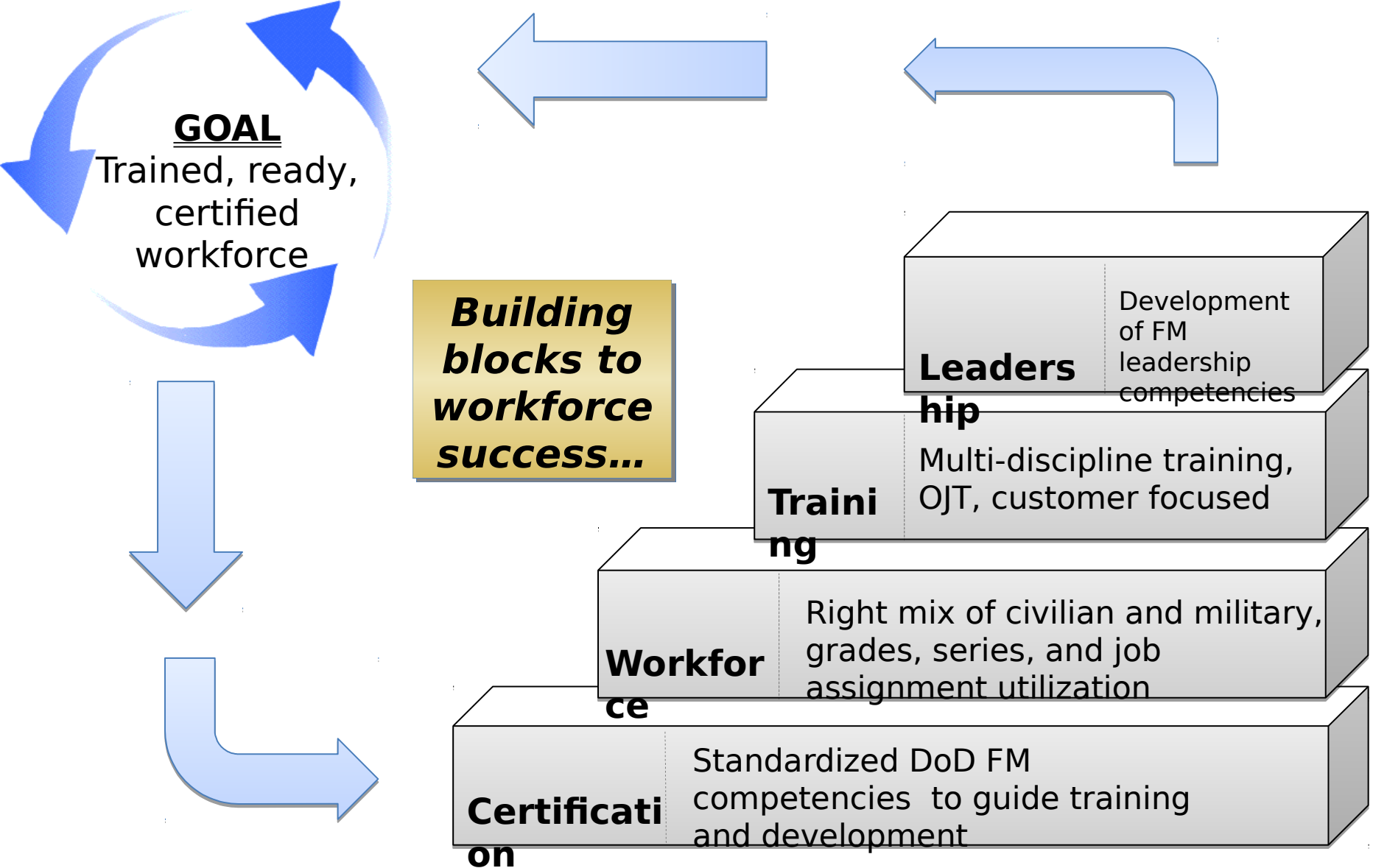
1. Fully understand impact of all ERPs on FM community
2. Reduce legacy systems
3. Implement new capabilities

- Integrated Resource Management
- Labor Tracking
- Supplier Self Service



Goal: Standardized, auditable business processes and integrated IT solutions that support mission needs and requirements

Align Workforce and Training



Improve Analytical Capabilities/Skills

"Budget mindset"

How much have I obligated?

What did I spend last year?

"Cost and Performance mindset"

What should it cost?

What can I really save?

of readiness
Is spending consistent with my priorities?

What outcomes for resources



Enablers

- *Effective organizational structure (OA)*
- *Trained analytical skills*
- *Leader development*
- *Understanding of data and tools*
- *Cost management competencies*
- *Integrated knowledge*



Desired Outcomes ?

- *Cost informed decision making*
- *Better allocation of funds*
- *Integrated planning, programming, budgeting, and execution*
- *Optimized use of resources in support of Army strategy!*

management
▪ *Cost culture*

Way Ahead

- Approve USAFMCOM concept plan and de-conflict spaces/structure resources
- Initiate USAFMCOM Transformation, 1 October 2014
- Conduct Hub/OA Pilot Test; beginning 1 October 2014 - 30 September 2015
 - Fort Bragg, NC and Wiesbaden, GE
- Identify continuous improvements; mature systems; realign workforce and training, improve analytic capabilities
- Continue collaboration with key partners & keep stakeholders informed
- Provide Army Business Case and recommended course of action for SecArmy in January 2016

Full spectrum FM capabilities for exceptional stewardship and auditable outcomes



Cost Management

"Seizing the Opportunity"

**Army Day
28 May 2014**



Cost Benefit Analysis—Making the case for a project or proposal:

Weighing the total expected costs against the total expected benefits over the near, far, and lifecycle timeframes from an **Army enterprise** perspective.

COSTS

- Quantifiable costs
 - Direct
 - Indirect
 - Initial/Start up
 - Sustainment
 - Procurement
- Non Quantifiable Costs
 - Life/Safety/Health
 - Perception/Image
 - Opportunity
 - Risk/Uncertainty
 - Political

1. Develop the Problem Statement; Define the Objective and the Scope

2. Formulate Assumptions; and Identify Constraints

3. Document Current State (Status Quo)

4. Define Alternatives with Cost Estimates

5. Identify Quantifiable and Non-Quantifiable Benefits

6. Define Alternative Selection Criteria

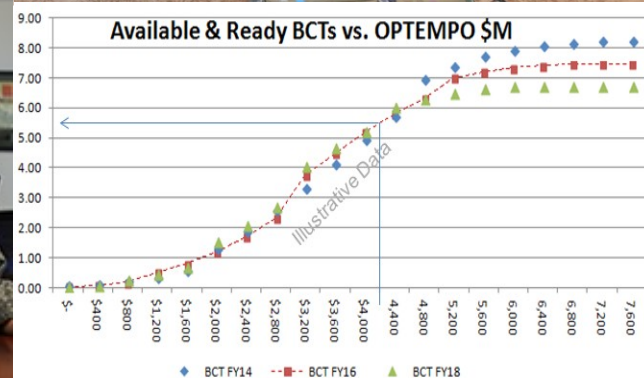
7. Compare Alternatives

8. Report Results and Recommendations

BENEFITS

- The total of quantifiable (e.g. cycle-time) and non-quantifiable (e.g. quality) benefits
- Financial benefits
 - Return on Investments
 - Cost Avoidances
 - Break-even Pt
- Non-Financial benefits
 - Greater capability
 - Faster availability
 - Better quality
 - Improved morale
 - Other?

BENEFITS MUST BALANCE OR OUTWEIGH COSTS



Stephen Barth
DASA-CE

PDI 2014





Army Cost Culture



A Cost Culture entails developing – through **leadership, education, discipline**, and **experience** an understanding of the importance of:

- making cost-informed decisions
- making effective trade-off decisions to achieve the best possible use of limited resources
- holding people accountable for understanding and being able to explain the costs of their organizations, products, services, and customers
- focusing on continuously improving the efficiency and effectiveness of operations

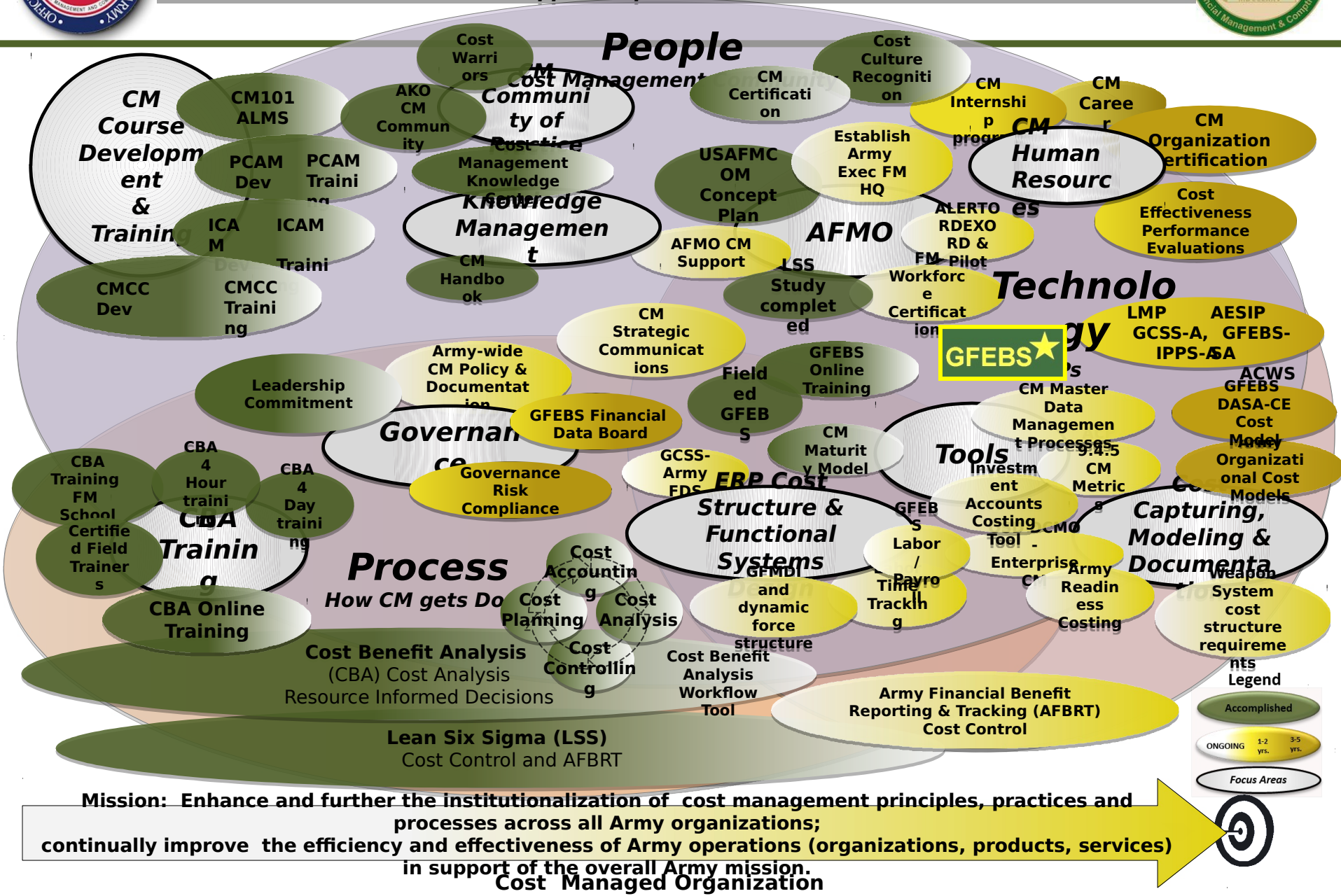
Culture: Common Beliefs and Behavior in an Organization



Cost Culture Strategy



Vision: Army leaders consider, acknowledge, and control the cost of all operations and support to provide best value

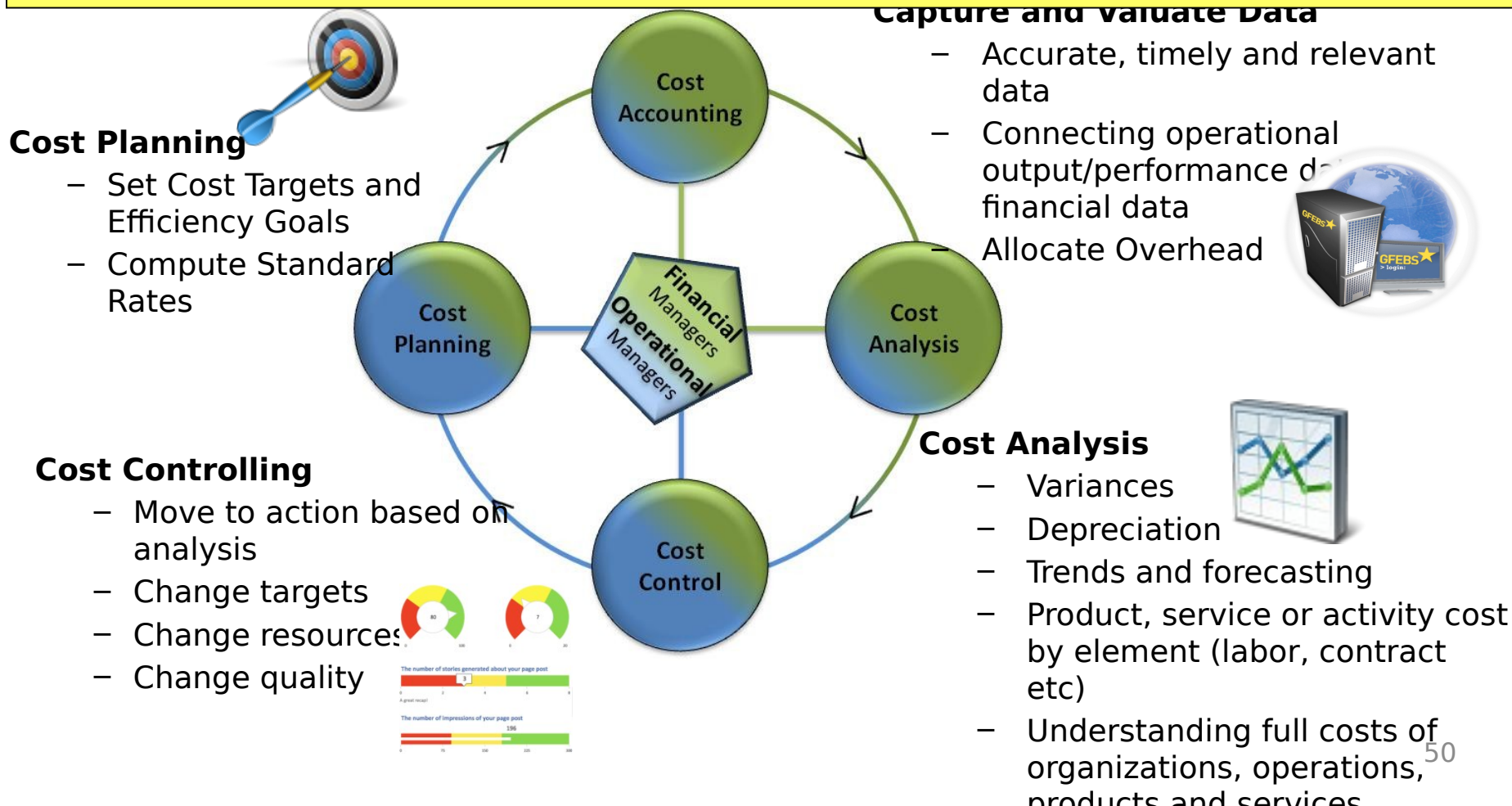




Cost Management Process

Resource-Informed Decision Making

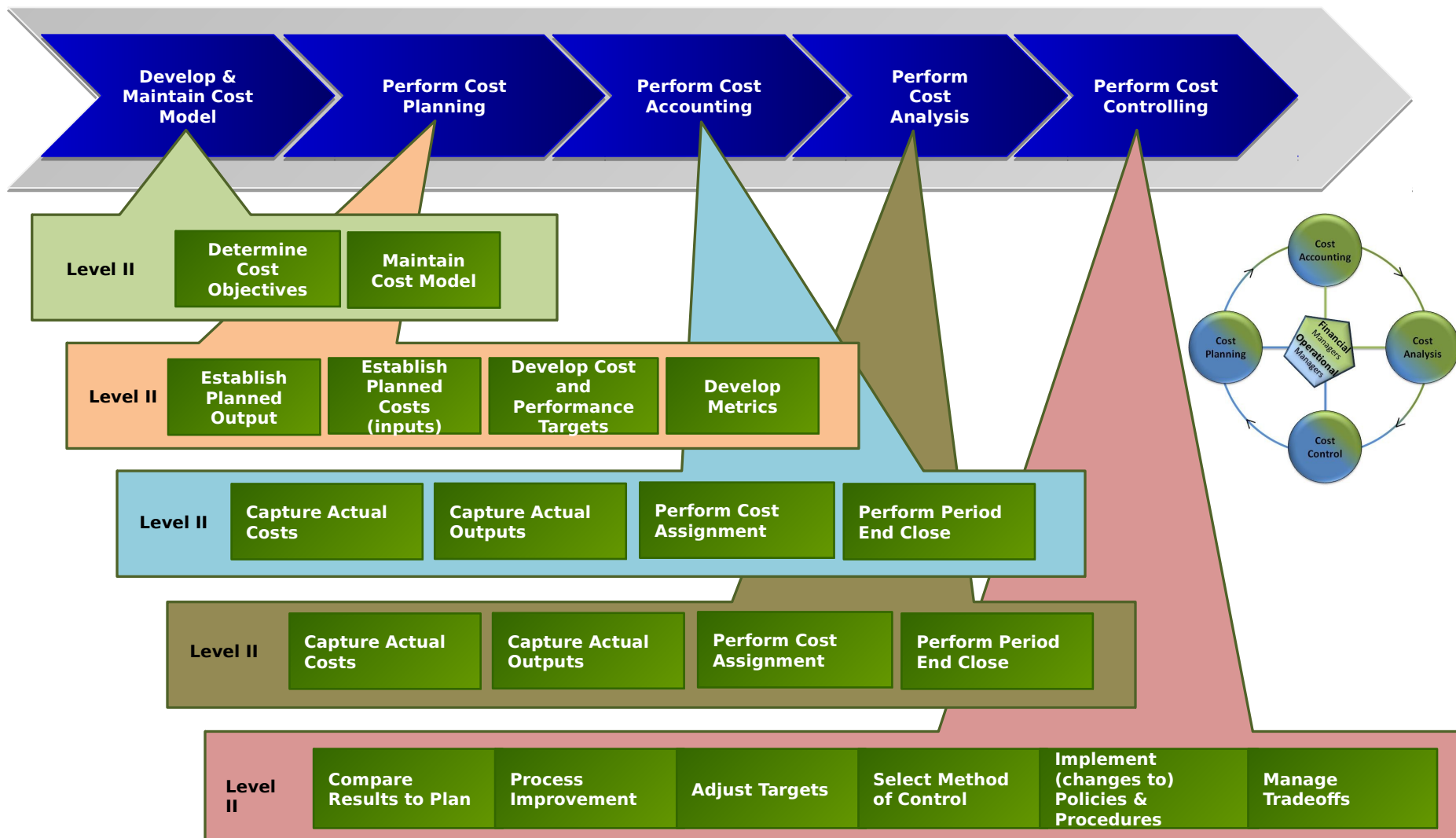
Managing Business Operations **Efficiently & Effectively** Through the Accurate Measurement & Thorough **Understanding of the "Full Cost"** of an Organization's Business Processes, Products & Services in Order to Provide the **Best Value**.





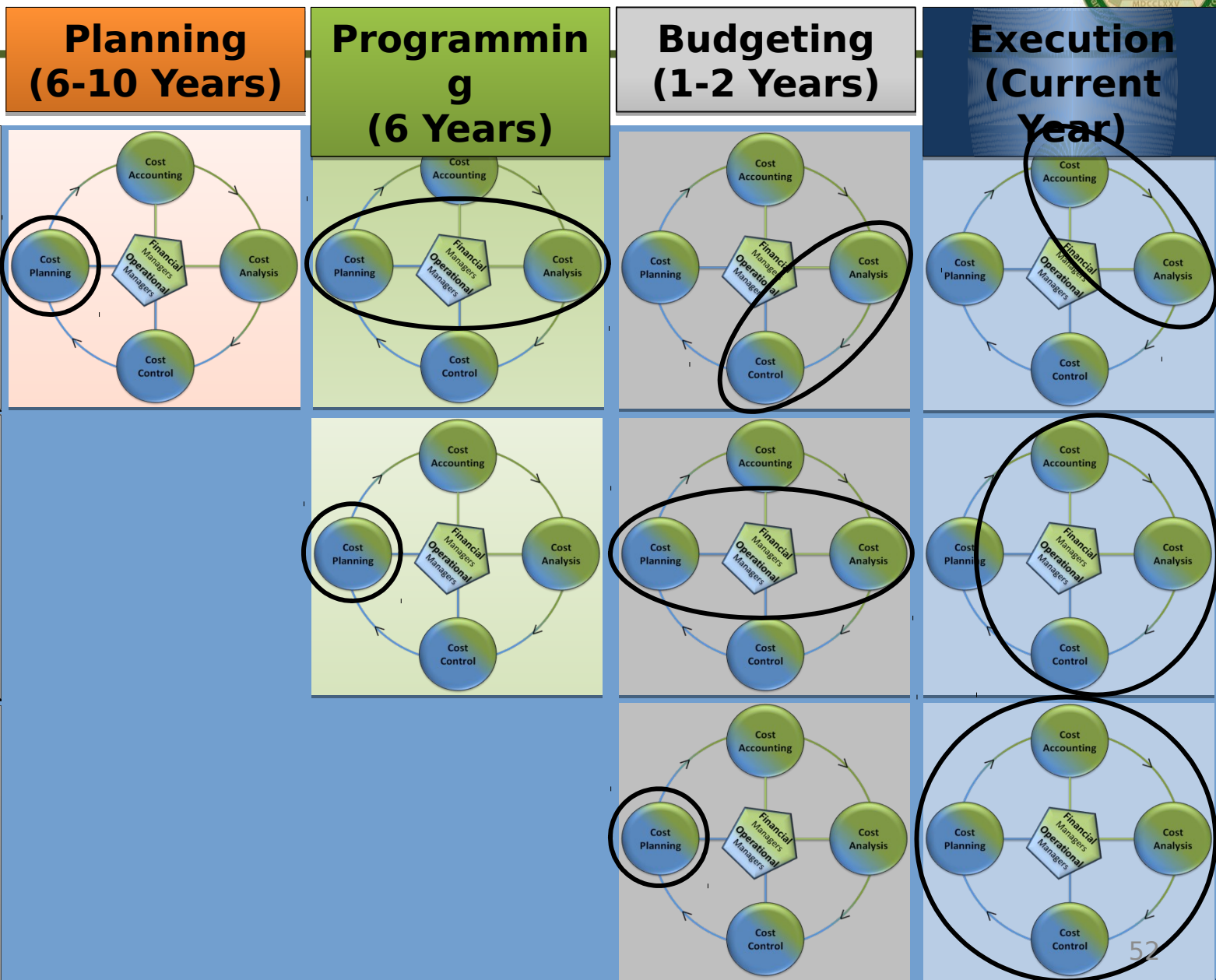
Army Cost Management

End-to-End Business Process





Army Cost Management/PPBE Matrix





Cost Management Activities Supporting PPBE



	Planning (6 - 10 Years)	Programming (6 Years)	Budgeting (1-2 Years)	Execution (Current Year)
HQDA	Strategic Decision-Making: <ul style="list-style-type: none"> - Cost Benefit Analysis - Analysis of Alternatives - Army Cost Position (LCCE) - Cost Models / Tools <ul style="list-style-type: none"> * FORCES Costing Model * Capability Costing Tool - Cost of Army - Workforce Analysis 	Outyear Forecasting: <ul style="list-style-type: none"> - Cost Factors & Models <ul style="list-style-type: none"> * TRM/OSMIS * FORCES Costing Model * AMCOS / Civ Pay Rates - Army Cost Position (LCCE) - Contingency Cost Model - CBA's, LSS - Incorporate AFBRT Benefits 	Formulation / Justification: <ul style="list-style-type: none"> - Cost Factors <ul style="list-style-type: none"> * OPTEMPO Cost Factors * Mil Pay Rates * Civ Pay Rates - Cost & Spend Plans - Include AFBRT Initiatives - Historical Trend Analysis - Establish Should Cost Goals 	Allocation/Funds Distribution: <ul style="list-style-type: none"> - Cost Analysis to Support <ul style="list-style-type: none"> * Cash Management * Reprogramming * Rate of Execution - Budget vs Actual (Variance) - Monitor Will /Should Cost - Track Cost Savings (ARFIT) - Mid-Year Reviews
Command / DRU		Strategic Planning: <ul style="list-style-type: none"> - Cost Benefit Analysis - Concept Plans - Workforce Mgmt - Submit Initiatives to AFBRT - Trend Analysis - Cost Models / Tools - Investment Decisions - Identify Efficiency Initiatives 	Outyear Plans / Controls: <ul style="list-style-type: none"> - Cost Targets/ - Annual Efficiency Goals - Assess Cost & Spend Plans - Plan Output (Capacity Mgmt) - Cost Benefit Analysis - Trade Space Analysis - Establish AFBRT Milestones - TRAPS 	Measure & Control: <ul style="list-style-type: none"> - Variance Analysis (Cost & Output) - Benchmarking Best Practices - Adjust Cost Targets - Mid-Year Reviews - Measure Reduction Initiatives - Adjust Allocation Rules
Operational Activity			Operational Planning: <ul style="list-style-type: none"> - Establish Annual Cost Plans - Set Output Goals / Objectives - Optimize Capacity - Adjust to Directives (e.g. TRAPS) - Establish Activity Rates (Labor / Equip) - Estimate OH Allocations 	Continuous Improvement: <ul style="list-style-type: none"> - Qtrly Cost Mgmt Reviews - Variance Analysis <ul style="list-style-type: none"> * Resources (Inputs) * Labor Rates * Output (Unit Cost, Qty) - Budget vs Actual (Variance) - OH Allocations - Product/Service \$, Customer \$



Army ERP'S Enable Cost Mgmt



•AWCF Costs:
✓ Weapon Systems
✓ Valuation (Asset Class)
✓ Recaptitalizations
✓ Depot Maintenance
✓ AWCF Cost Recovery

LMP

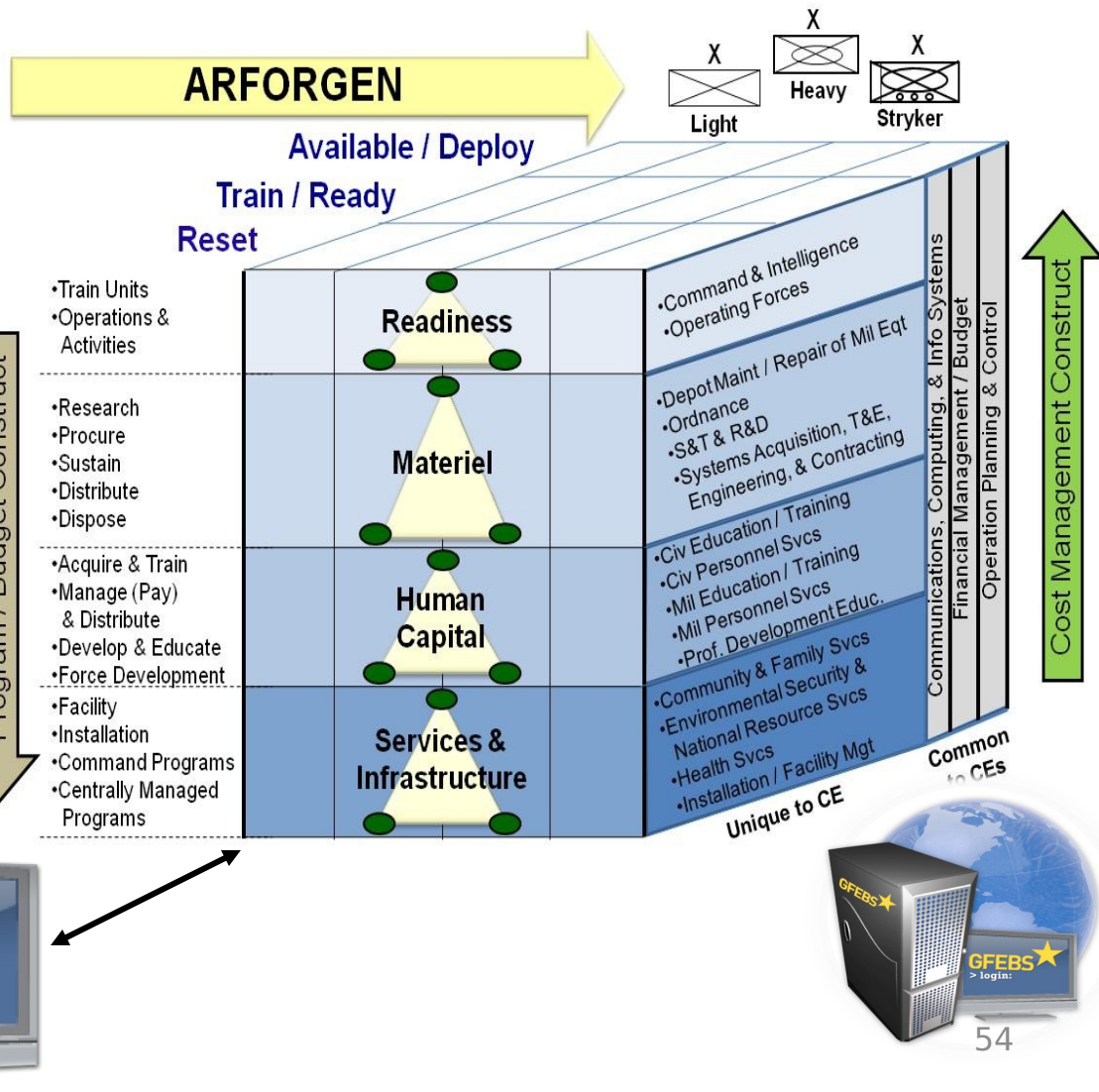
•GFEBS Costs:
✓ Research & Development Programs
✓ Procurement Costs
✓ Gov Weapon System Test & Eval
✓ Gov Sys Eng/Prg Mgmt
✓ Depreciation
✓ Mil & Civ Labor
✓ Weapon System CLS
✓ POL
✓ Ammunition
✓ Software Maintenance
•Provides Reporting for:
✓ Total Weapon System Cost, Quantity, and Usage
✓ Total Optempo Costs

GFEBS

•GCSS-A Costs:
✓ Supplies & Repair Parts
✓ Maintenance Labor (\$5, Hrs)
•Non-Financial:
✓ Equipment Activity (hr, mi)
✓ Equipment Quantity
✓ Parts Demand

GCSS-A

Army Cost Management Framework



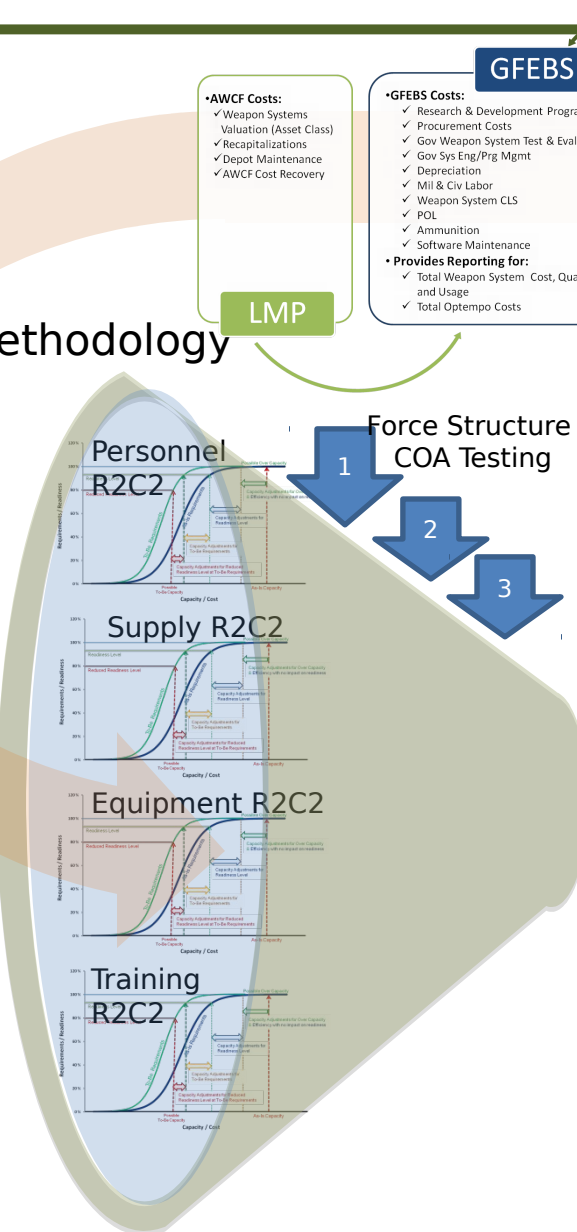


Strategic and Operational Costs

(Cost of Readiness)



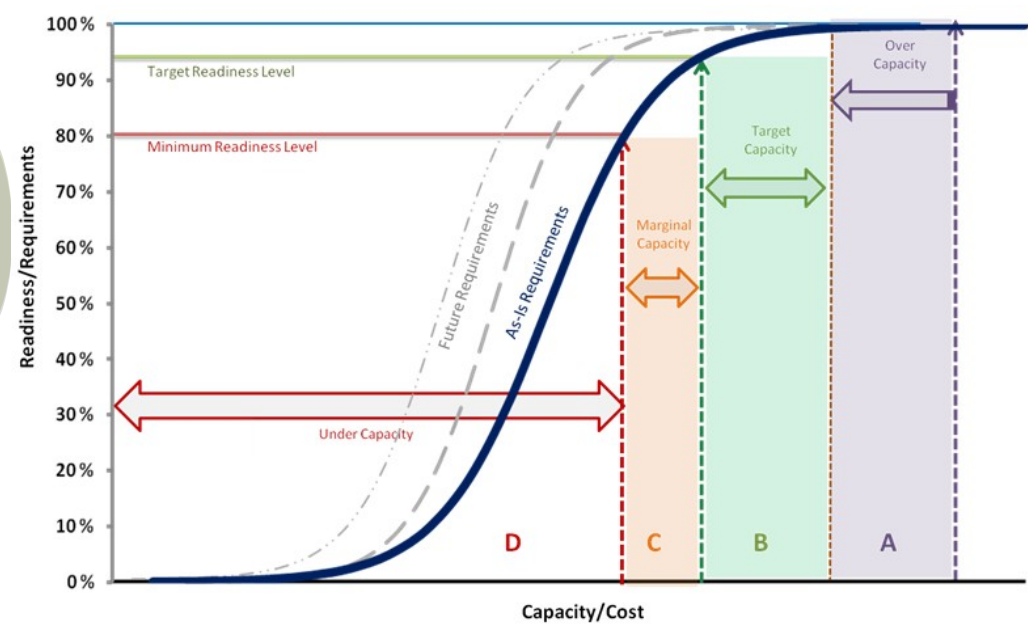
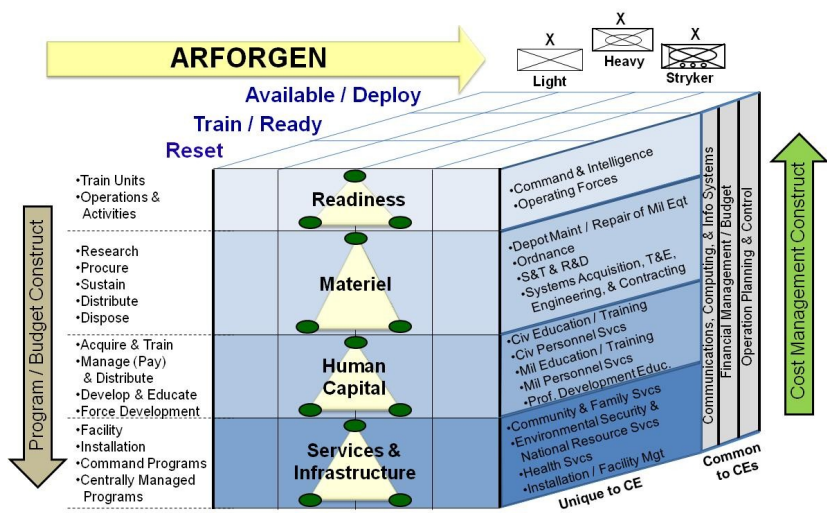
Cost Methodology



- AWCF Costs:**
- ✓ Weapon Systems Valuation (Asset Class)
 - ✓ Recapitalizations
 - ✓ Depot Maintenance
 - ✓ AWCFC Cost Recovery
- LMP**

- GFEBS Costs:**
- ✓ Research & Development Programs
 - ✓ Procurement Costs
 - ✓ Gov Weapon System Test & Eval
 - ✓ Gov Sys Eng/Prg Mgmt
 - ✓ Depreciation
 - ✓ Mil & Civ Labor
 - ✓ Weapon System CLS
 - ✓ POL
 - ✓ Ammunition
 - ✓ Software Maintenance
- Provides Reporting for:**
- ✓ Total Weapon System Cost, Quantity, and Usage
 - ✓ Total Optempo Costs
- GFEBS**

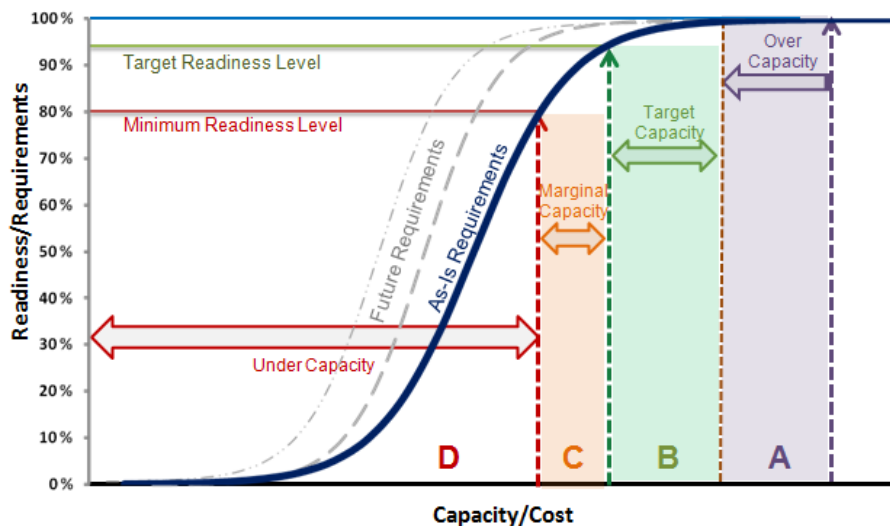
- GCSS-A Costs:**
- ✓ Supplies & Repair Parts
 - ✓ Maintenance Labor (\$\$, Hrs)
- Non-Financial:**
- ✓ Equipment Activity (hr, mi)
 - ✓ Equipment Quantity
 - ✓ Parts Demand
- GCSS-A**



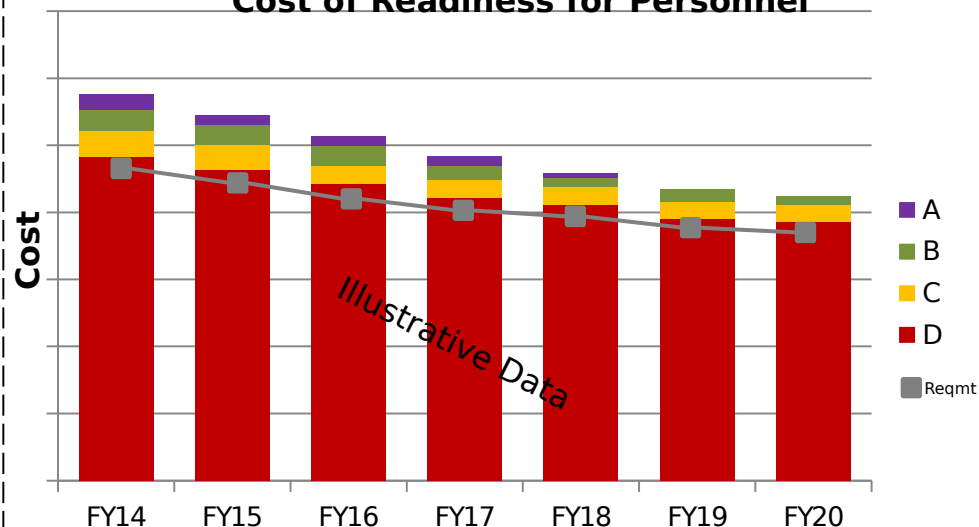


Readiness, Requirements, Capacity & Cost

Readiness/Requirements vs.



Notional Example:
Cost of Readiness for Personnel



Capacity's Impact on Readiness

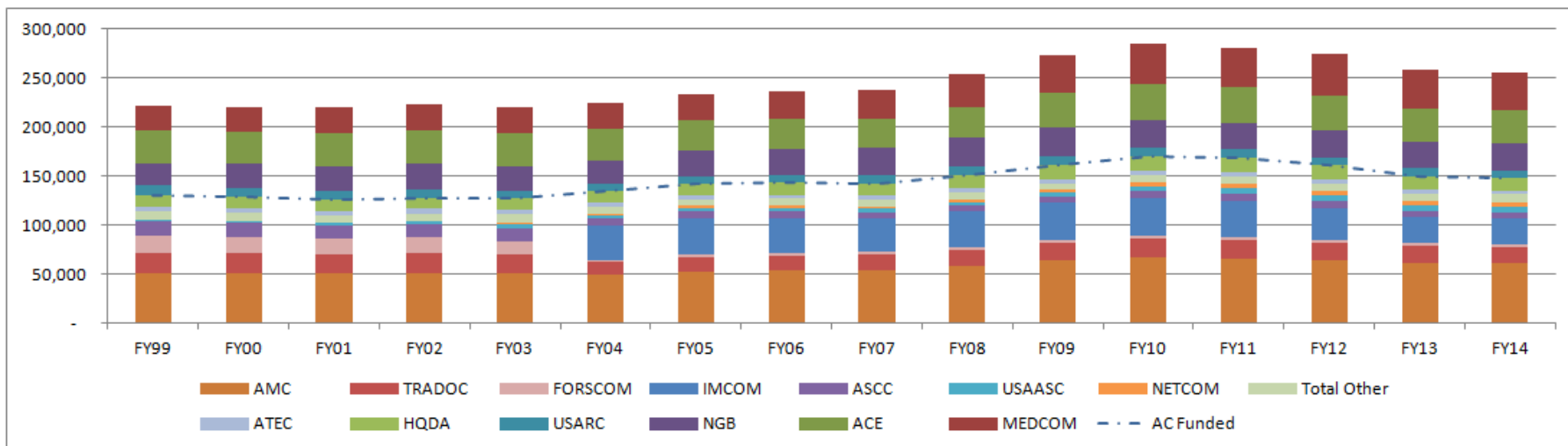
Zone	Capacity/Cost	Readiness
A	↓	No Change
B	▲	▲
C	▲	▲
D	Under Capacity	Below Minimum

Readiness Component Capacity
Baseline

Readiness Component	A	B	C	D
Personnel	P			
Supply-on hand		P		
Readiness-Equipment	P			
Training			P	



OPM Army Civilian FTE End Strength



GMD	FY99	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14
ARMY	222,029	220,669	219,578	222,977	220,457	224,464	233,830	236,965	238,443	253,722	272,656	285,250	281,188	274,562	258,923	255,774
MEDCOM	24,885	25,017	25,546	26,683	26,840	26,136	27,026	28,395	29,773	33,800	38,201	42,169	40,798	42,373	39,823	38,756
ACE	33,753	33,620	33,591	34,107	34,139	32,544	31,422	30,679	30,300	31,439	34,846	36,527	36,616	35,575	33,704	33,054
NGB	23,521	24,522	25,101	25,324	24,139	23,723	25,253	27,344	27,977	29,433	29,833	27,351	26,644	27,418	27,693	27,987
USARC	9,209	9,405	9,829	9,761	8,286	7,394	7,415	7,336	8,103	8,320	8,560	8,850	8,869	8,489	8,571	8,586
AMC	50,473	50,282	50,391	50,949	50,556	49,684	52,218	53,055	54,123	58,213	63,368	66,726	65,460	64,095	61,482	60,721
IMCOM				18	995	34,792	36,700	35,209	34,111	35,725	37,937	37,712	35,858	31,864	26,525	26,275
TRADOC	21,441	21,077	19,810	20,504	19,746	12,562	15,281	15,904	15,927	16,541	17,972	19,181	19,319	17,373	16,712	16,686
HQDA	11,980	10,891	10,968	10,637	11,131	12,335	12,263	12,408	12,124	13,002	14,264	14,712	14,102	13,876	12,813	12,481
ASCC	14,300	14,221	13,863	14,025	13,261	7,043	6,980	6,877	5,869	6,155	6,861	7,210	7,546	7,482	7,063	6,881
USAASC	2,055	2,068	2,137	2,262	3,445	3,085	3,651	3,778	3,796	3,825	4,213	5,129	5,410	5,369	5,255	5,173
NETCOM				35	2,312	2,356	2,253	1,959	1,818	1,977	2,211	4,428	4,689	4,850	4,772	4,705
ATEC	5,385	4,838	4,800	4,930	5,044	4,046	4,056	4,052	4,074	4,193	4,342	4,461	4,304	4,105	3,929	3,922
FORSCOM	17,088	16,500	15,341	15,440	12,205	2,086	2,631	2,889	3,023	2,928	3,353	3,725	3,445	3,331	2,689	2,647
Total Other	7,936	8,231	8,180	8,300	8,360	6,680	6,683	7,076	7,425	8,173	6,698	7,072	8,131	8,357	7,895	7,902

ACFunded	130,656	128,105	125,509	127,099	127,052	134,667	142,714	143,205	142,287	150,731	161,216	170,352	168,262	160,700	149,132	147,391
YOY Change		(2,551)	(2,596)	1,590	(47)	7,615	8,048	491	(919)	8,444	10,486	9,136	(2,030)	(7,562)	(11,569)	(1,741)
YOY%		-2.0%	-2.0%	1.3%	0.0%	6.0%	6.0%	0.3%	-0.6%	5.9%	7.0%	5.7%	-1.2%	-4.5%	-7.2%	-1.2%

Total YOY		(1,360)	(1,091)	3,399	(2,520)	4,007	9,367	3,135	1,479	15,279	18,934	12,594	(4,062)	(6,626)	(15,640)	(3,149)
Total %		-0.6%	-0.5%	1.5%	-1.1%	1.8%	4.2%	1.3%	0.6%	6.4%	7.5%	4.6%	-1.4%	-2.4%	-5.7%	-1.2%

- Total Army Civilian FTE has drawn down by 29,000 (9.7%) since Sep 2010.

- Reduction in FY14 is through Q1 only.

- Numbers include Direct and Reimbursable funded personnel.

- AC Funded FTE shown does not include MEDCOM; ACE; NGB, or USARC although some ACE are in fact Army OMA funded.



CM Community of Knowledge Management

People

- CM Course Development & Training
 - CM101 ALMS
 - PCAM Dev
 - PCAM Training
 - ICAM M
 - ICAM Training
 - CMCC Dev
 - CMCC Training
- CM Management
 - Cost Warriors
 - AKO CM Community
 - Management Knowledge
 - CM Handbook
- CM Certification
 - USAFMCM Concept Plan
 - AFMCM Support
 - AFMCM Strategic Communications
- CM Culture Recognition
 - Establish Army Exec FM HQ
 - ALERTORDEXOR & FM Pilot Workforce Certification
- CM Career
 - CM Internship program
- CM Organization Certification
 - Cost Effectiveness Performance Evaluations
- CM Human Resources
 - LMP
 - AESIP
 - GCSS-A, GFEBS-IPPS-A
 - ACWS
 - GFEBS
 - DASA-CE Cost Model
 - Organizational Cost Models

Technology

- GFEBS
 - GFEBS Online Training
 - Fielded GFEBS
 - CM Maturity Model
 - CM Master Data Management Processes
 - Investment Accounts Costing Tool
 - Enterprise CM
 - Army Readiness Costing
- CM Strategic Communications
- CM Master Data Management Processes
- Investment Accounts Costing Tool
- Enterprise CM
- Army Readiness Costing

Tools

- CM Master Data Management Processes
- Investment Accounts Costing Tool
- Enterprise CM
- Army Readiness Costing

Process

- How CM gets Done
 - Cost Benefit Analysis (CBA) Cost Analysis
 - Resource Informed Decisions
 - Lean Six Sigma (LSS) Cost Control and AFBRT
- Cost Accounting
 - Cost Planning
 - Cost Analysis
 - Cost Controlling
- Cost Benefit Analysis Workflow Tool
- Army Financial Benefit Reporting & Tracking (AFBRT) Cost Control

Governance

- Leadership Commitment
- Army-wide CM Policy & Documentation
- GFEBS Financial Data Board
- Governance Risk Compliance
- CBA Training FM School Certified Field Trainers
- CBA 4 Hour training
- CBA 4 Day training
- CBA Online Training

Legend

- Accomplished
- Ongoing
- 1-2 yrs
- 3-5 yrs
- Focus Areas

Mission: Enhance and further the institutionalization of cost management principles, practices and processes across all Army organizations; continually improve the efficiency and effectiveness of Army operations (organizations, products, services) in support of the overall Army mission.